Canada

THE JAPANESE WAY

contemporary industrial relations

Charles J. Connaghan

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FOREWORD

We Canadians are so accustomed to the adversarial approach in collective bargaining and labour-management relations that we have become highly suspicious of any industrial system which does not have the same emphasis. Yet from time to time, when the labour-management tensions build to the point where there is widespread disruption caused by strikes, voices are raised proclaiming that "there must be a better way". Unfortunately the search for the better way, like the crocus of early spring, is of short duration. This study was undertaken to provide some insight into other industrial relations systems, in particular the Japanese Way.

An attempt has been made to outline the unique Japanese industrial relations system which has strong cultural and historical traditions as well as a heavy reliance on a high level of technology and modern techniques of management. All these factors have brought Japan to a role of leadership in the contemporary industrialized world.

Many reasons have been advanced for the so-called "economic miracle" that took Japan from a state of ruin in 1945, to its present position of economic leadership. Unfortunately, many people outside Japan have not given enough credit to the Japanese industrial relations system and the highly successful employee-employer environment which has developed since 1945. These are key contributors to the economic miracle. In the following pages the positive features of not only the Japanese labor management system, but also the broader industrial relations context are examined.

To obtain the necessary data, research was undertaken in Japan in the fall of 1980, and in-depth interviews were held with more than 70 leading Japanese industrial relations practitioners in trade unions, management and government.

The study is considerably broader in scope than my 1976 study of the West German industrial relations system, Partnership or Marriage of Convenience. The unique nature of the Japanese system made it necessary to examine the economic and legislative influences in considerable depth, as well as the normal industrial relations environment.

The work is intended as an industrial relations reference for use by those interested in new approaches to the changing industrial relations field.

Charles J. Connaghan

CHAPTER I

INDUSTRIAL RELATIONS IN JAPAN

THE ECONOMIC MIRACLE

Any discussion of contemporary Japan must include the phenomenal growth - "the economic miracle" - that occurred since 1945. Throughout the 1960's, Japan's gross national product grew at an annual rate of more than 10 percent and during that period the Japanese economy developed from a modest economic base to that of a major industrial nation. In 1973, however, the oil crisis slowed economic growth, and during the recovery period of 1976-78, the average annual growth was 5.9 percent. In 1977, Japan's gross national product was $693 billion (U.S.), second only to the United States in the free world.

During the decade of the sixties, secondary industry, particularly manufacturing, increased dramatically and expanded its share of the net national product. During this period, there was a strong demand for plant and equipment, and this was to prove an important influence on the growth of the private sector. However, during the 1970-77 period, the growth of secondary industry stagnated compared to the previous decade. The tertiary industry expanded and gradually the government sector grew to assume a greater share of the economy.

An analysis of the national income shows that the portion going to workers grew to 66.7 percent, while corporate profits declined. In 1977, the per capita gross national product in Japan was $6 089 (U.S.). By 1978, it had jumped to $8 475 (U.S.) because of the appreciation of the Japanese yen against the United States dollar.

Following the oil shock in 1973, some instability and disparities appeared in the manufacturing industries. For instance, while productivity rose in precision machinery, electrical machinery and automobiles, it fell substantially in shipbuilding. During the high growth period, wholesale prices tended to remain fairly stable, but consumer prices kept growing at an average rate of between 4 and 7 percent. The 1973 oil shock triggered a very high inflation rate and consumer prices jumped by about 25 percent in 1974. By 1978, prices had stabilized and the consumer price index was held at 3.8 percent.

In 1978, the population of Japan was 114 950 000, of which 87 260 000 were aged 15 and over, and 55 320 000 were considered as part of the labor force. This was a 23 percent increase over 1960 and is an annual increase of 1.1 percent. The male labor force participation rate continues to decline while the participation of women in the work force continues to grow. Japan is also experiencing a rapidly aging labor force. The young labor force, aged between 15 and 24 years, declined from 23 percent in 1960 to 13 percent in 1978, while the older labor force, aged 45 and over, increased to 36 percent from 31 percent. This trend is expected to continue.

WAGES

Most Japanese workers are paid on a monthly basis. In 1978, the average monthly cash earnings amounted to approximately $1 118 (U.S.). Prior to the 1970's the wage increases in Japan had maintained

a steady and sound pace, but in 1974, because of a very high inflation rate, workers received an increase of 32.9 percent. Since then, wages have stabilized considerably.

Historically, Japan's wage level was far below that of its more advanced European trading partners. However, this changed significantly during the 1960's and 1970's, and has been boosted by the appreciation in value of the Japanese yen. By 1980 the Japanese average earnings per hour actually exceeded those of the United Kingdom and France, but had not yet reached the level of the United States and the Federal Republic of Germany.

In 1978, fringe benefit costs, such as statutory welfare services, non-statutory welfare services, severance pay, education and training, to name just a few, were approximately $1 253 (U.S.) per worker on a monthly average. The ratio of cash earnings to total labor cost stood at 83.9 percent, compared to 86.2 percent in 1972. Meanwhile the statutory welfare costs increased to 6.8 percent of labor costs, reflecting the improvements in social security programs.

An examination of Japan's labor costs, per actual hours worked in manufacturing, shows that they are higher than those in the United Kingdom, but lower than in the United States, the Federal Republic of Germany and France.

Because of the unique nature of the Japanese wage system, there are large differentials between age groups, but smaller disparities between office and manual workers than in other advanced countries. Male workers in manufacturing reach their peak earnings between 50 and 54 years of age, but this declines from age 55. These workers retire from their main career position at age 55 and go on to jobs that pay considerably less.

The rate of increase in labor productivity in manufacturing was very high between 1960 and 1973, with an average annual increase of about 10.6 percent. During 1974-75, following the oil shock, it fell to below the previous years' levels. Since then, labor productivity in manufacturing rose to 12.3 percent in 1976, dropped back to 5.1 percent in 1977 and reached 8.2 percent in 1978. Table A details the growth of labor productivity by major industries from 1960 to 1978.

Since the late 1960's however, wage rates have been exceeding increases in labor productivity and this has been adding to costs. As a result, labor's relative share and value added to manufacturing has risen from 40 to around 50 percent.

In 1978 employees worked an average of 175.2 hours per month, of which 12.3 was overtime, compared to 200.7 hours in 1960. An important change is taking place in the length of the work week in Japan: it has been reduced to five days for 70 percent of today's workers. The adoption of the five day week spread rapidly in the late 1960's, but the rate of diffusion has slowed in recent years. An industry-by-industry examination shows that finance, insurance, elec-

tricity, gas, water and steam supply industries have established the five-day work week and that it is more popular among large companies than small ones.

TRADE UNIONISM IN JAPAN

Modern Japanese trade unionism started in 1945 when the United States' occupation forces undertook to develop free trade unions as a means of democratizing Japan. It was decided that the best and quickest way was to have a separate union in every company, with each trade union completely independant from those in other companies. It was felt that if the unions were organized according to the American model, the Japanese employers would resist their development. By 1980, the number of trade unions in Japan had increased to 71 000.

In 1946, two national trade union centres were formed, each a federation of unions. These federations emerged when the enterprise unions organized themselves into industrial groupings; for example, all the steel industry enterprise unions formed federations of steel unions and they, in turn, affiliated with one of the national centres.

One national centre adhered to the principles of the U.S.-based Congress of Industrial Organizations (CIO) and was developed and encouraged by communists. The other followed the craft principles of the American Federation of Labor (AFL). The CIO-oriented national centre adopted certain militant postures and was actually planning a general strike, when General MacArthur's administration intervened. By 1950, the future of trade unionism in Japan, had become the subject of great controversy.

At that time, there was a meeting in London of an international body, which was being formed throughout the world, called the International Congress of Free Trade Unions (ICFTU). Five trade unionists from Japan attended that conference. When they returned to Japan, they suggested to the labor movement that the principles of the ICFTU be adopted in Japan. These principles were to become the cornerstone of modern trade unionism in Japan.

Later, the same five labor leaders went to the United States to study trade unionism there and as a result of their efforts the unions formed a unified body in 1950. This attempt at unification was short-lived; by 1954 it had dissolved because of ideological disagreement among the unions.

During this period the unions were faced with trying to reconcile both economic and political issues. Within the political sphere, they had to wrestle with such issues as the best form for the peace treaty. Trade unionists, like the majority of Japanese at that time, were uncertain about what form the peace treaty should take. Some felt that they had to maintain their integrity for the future. Others were prepared to accede without question to the demands of the occupying force. There was also a feeling that capitalism merely invited wars and that there was a need to move toward a more socialistic model. During

that period, the coal, electric and transport industries developed a highly militant posture which led to numerous strikes. The 1950-1954 period is considered by many Japanese to be the worst period of industrial instability in the post-war history of the country. Labor-management relations at that time took on the appearance of a class struggle.

Meanwhile, the trade unionists who had gone to London were attempting to encourage the unions to enter the ICFTU, but there were those who felt that this body was just an instrument of the United States government. At that time, the leaders of the electrical, coal and transport companies were considered communists. In 1954, the split came and two major bodies emerged: one was Domei, the other Sohyo.

The role of the employers during this period was rather interesting. Japan was not very healthy economically and the employers were convinced that Japanese industry should be strengthened. A minority took advantage of the situation and practised poor labor-management relations. The majority of employers, however, recognized the situation for what it was and undertook to change it.

In 1954, that change came about because Japanese employers and workers became convinced that there was a need to rehabilitate the economy. That was the beginning of the Japanese economic miracle. From 1955 onward, employers undertook a policy of high economic growth and the workers cooperated. Between 1950 and 1960, the average annual real economic growth was about 10.5 percent compared to about 2 percent in the United States and between 4 and 6 percent in European countries.

The Japanese believe that the major factor, which caused this change in attitude and precipitated the tremendous change from poor management relations, was an agreement on productivity.

One of the pioneers of this agreement was Minoru Takita, who was President of the Textile Workers of Japan from 1938 to 1971. He also served as chairman of Domei from 1954 to 1971. Mr. Takita and his colleagues went around the country showing that improved productivity was the only way to protect high wages. In the mid-50's an economic rehabilitation conference was called to discuss the problem. It included labor representatives, management personnel, and academics. Government was not invited. It has been stated that the government did not contribute very many positive ideas toward labor-management relations during that period. Mr. Takita and his colleagues did not find total unanimity within the labor movement. Labor leaders in the public sector did not agree with the industrial unions' view. The discussion of productivity was taking place at all levels from the highest corporate to the individual company and plant level.

From this came an agreement that the determination of wages should be based on a number of factors, primarily the cost of living and the national growth rate. This became a determining factor for wages from 1954 onward.

In 1955, a prestigious conference was held on productivity improvement. At first, workers opposed the proposal since they felt that improved productivity would benefit only employers and would lead to widespread unemployment. However, after a great deal of discussion, the Japan Productivity Council was formed, based on a tripartite arrangement of labor, management, and academics. It later changed its name to the Japan Productivity Centre. The chairman of the Japan Chamber of Commerce also served as chairman of the centre which was funded by the government.

The primary role of the Japan Productivity Centre was one of public relations. Its goal was to ensure that people understood that the only way for the economy to prosper and grow was by improved productivity. In addition, it sent out teams of tripartite personnel to companies and plants to talk to management and union representatives to educate them on the value of productivity.

LABOR-MANAGEMENT RELATIONS

During the high economic growth period, labor-management relations was an important influence in the advance of economic growth. Today, labor unions number 71 000, most of which are organized on a single company basis. Union membership is estimated at 12.4 million, with a union organization rate of approximately 32 percent. Table B outlines the 1979 union membership by industry.

Japan has experienced periods of labor-management strife. In recent times the number of labor disputes reached their peak in 1974. Since then, both the number of disputes and the number of union members involved have fallen sharply. For example, there were only 1 360 000 man-days lost in 1978. The only country with a better record in this area is the Federal Republic of West Germany.

It is a well-established practice in Japan that every year from March through April collective bargaining negotiations are undertaken on behalf of 10 million workers.

The results of these negotiations sets the pattern for all other wage-earners in the country. During the high economic growth period the wage increases were normally 10 percent. They reached a peak of 32.9 percent in 1974, because of high inflation that year, but since then the rate has tapered off to 6 percent in 1979 and 5.6 percent in 1980.

LABOR LEGISLATION

The Private Sector

Labour legislation in Japan covers both the private and the public sectors; union membership by legal category is outlined in Table C.

The private sector, with 33 million workers, is governed by the Trade Union Law which guarantees the right to negotiate, to join unions, and to strike. It also outlines the role and nature of trade

unions, collective bargaining and agreements, and defines unfair labor practices. The Labor Relations Adjustment Law regulates the settlement of disputes in the private sector through mediation and conciliation.

An important body established by legislation is the Central Labor Relations Commission which adjudicates unfair labor practices and assists in settling labor disputes. It is a tripartite body under the direct jurisdiction of the minister of labor and composed of nine members representing employers, nine representing labor and another nine representing the public interest. Appointed public interest members are primarily from academic circles, but no more than four can belong to the same political party.

Members of the Commission are appointed for a period of two years and may be re-appointed. They are remunerated in line with salary scales developed by the Cabinet. The chairman of the Commission is elected by all members from among the public members, thereby enhancing the Commission's neutrality by excluding labor or management representatives from the chairmanship.

In addition to the central body, local labor relations commissions are established in each prefecture. The same type of organization exists for seamen. There is a Seamen's Central Labor Relations Commission and local commissions in each district under the jurisdiction of the district marine bureaus, local agencies of the Ministry of Transport.

The labor relations commissions have two kinds of authority. They are empowered to examine the qualifications of a trade union and to make judgements on the existence of unfair labor practices and take any necessary disciplinary action. They also have the authority to settle disputes according to the Labor Relations Adjustment Law.

The duties of the Central Labor Relations Commission include jurisdiction and conciliation, mediation, arbitration and adjudication involving matters which cover two or more prefectures or issues which are of national importance. It is also empowered to review, and if necessary reverse, the adjudications, decisions and orders of the local commissions. The central body can also immediately register complaints with the court against a local commission. Rules and procedures for the local commissions are established by the central body. The same relationship exists between the seamen's central and local commissions.

The Canadian practice of accreditation of employers is unknown in Japan and only the shipping companies have the right to negotiate as a group. Within certain industries, there are federations of unions and associations of companies, but they do not have the right to bargain on behalf of their members. Indeed, the collective agreements can only be approved and signed by an officer who is an employee of the particular company involved in the negotiations.

The Trade Union Law does not specifically deal with government intervention in labor disputes. However, there is a rarely used provi-

sion which can be invoked if an emergency is declared by the Prime Minister which affects public utilities, work of a special nature, or if the national economy is deemed to be threatened. The legislation states that in certain circumstances, strike notice of 10 days must be given. In addition, once an emergency is declared, there is a further cooling-off period of 50 days. This provision has been used only once in the past 30 years.

The labor legislation does not deal with the ratification of collective agreements. This is left to the parties to work out. However, most union constitutions require ratification by members.

The length of collective agreements varies from industry to industry but the Trade Union Law states that no collective agreement can be for a period longer than three years.

Collective bargaining in the private sector is open to most employees except managers and supervisors. Professionals, such as engineers and accountants, do have the right to belong to unions.

The Trade Union Law does not provide for a labor ombudsman. There is however, a law which outlines the special services that are available to working women.[1]

Technological change is not covered by legislation. However, most of the collective agreements throughout the country have specific reference to the procedures to be followed, including advance consultation. The importance of technological change can be seen in what is currently happening in Japan and the attitude of the different trade union groups to it. Some unions accept technological change as an absolute necessity if the country is to continue to grow and increase in productivity. To others, it is something from which workers must be protected. It appears that more unions favour the advance of technological change than oppose it.

There is no legislation governing the use of strike-breakers. However, a small number of collective agreements contain a provision under which employers agree to close operations for the duration of a strike.

Unfair labor practices receive considerable attention in the Trade Union Law and the manner in which employers must behave is clearly spelled out: they cannot dismiss employees because of union membership; they cannot refuse to bargain collectively with employees; and so on. Successor rights are protected under this legislation but secret strike ballots are not provided for, nor is there any mention of first agreements.

The legislation is silent on such matters as the procedures for handling strikes and the taking of strike votes. These matters are

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[1]Working Women Welfare Law; The Labor Laws of Japan. Ministry of Labor, 1980, Pages 739-749.

left to the collective bargaining parties to work out for themselves. In some instances the period of strike notice is 72 hours and in others it is longer.

Changes to the labor legislation are controlled by the Minister of Labor who is advised by a tripartite standing committee, composed of management, labor and the academic community, which provides recommendations on changes to the legislation. Normally, legislative changes are initiated by the Ministry of Labor but only matters on which the advisory committee can agree are forwarded to the National Diet.

LABOR LEGISLATION

The Public Sector

The public sector is regulated by two main laws at the national level and two at the local level. The operational sector, with 1.6 million workers, is composed of the equivalent of Canadian crown corporations. The non-operational sector, with 2.6 million workers, is made up of both national and local civil servants.

The Public Corporation and National Enterprise Labor Relations Law applies to the operational sector at the national level and the Local Public Enterprise Labor Relations Law applies locally. Three public corporations, five national enterprises and local public enterprises are involved. Most of the workers covered by this legislation are employed by the Japan National Railways, the Nippon Telephone and Telegraph Public Corporation, the Japan Tobacco and Salt Public Corporation, and five national enterprises - the postal service, the forest service, government printing, the mint, and the alcohol monopoly.

Workers in this sector may join unions and negotiate with employers, but they do not have the right to strike. The Trade Union Law applies in principle to these employees and their unions, but the Public Corporation and National Enterprise Labor Relations Law makes provisions for exceptions and sets out special procedures for the settlement of disputes.

To adjust grievances workers and unions must establish a joint grievance adjustment board consisting of an equal number of members representing the public corporations, the national enterprises, and the employees. The law not only pro-hibits strikes, but has also established a system of compulsory arbitration in circumstances where settlements cannot be reached through negotiations. Arbitration is delegated to the National Enterprise Labor Relations Commission whose members represent the public interest, employers and employees. Where compulsory arbitration is involved union and employer representatives are normally excluded and arbitration boards are made up of only public interest members.

Settlements reached through arbitration which fall within the guidelines of the national budget are automatically accepted. If they exceed the budget, then the National Diet must ratify the arbitration award. This is intended as a means of controlling the cost of arbitrated awards in the public sector and it allows Parliament to have

the final responsibility for approving greater awards than were anticipated.

The non-operational sector, made up of national and local government employees, is regulated by the National Public Service Law and the Local Public Service Law respectively.

Civil servants at both levels are free to join a union, but do not have the right to negotiate or to strike. Employees of the National Defence Agency, the military, the Maritime Safety Board, the police, prison and fire services do not have the right to form a union, to negotiate or to strike.

TRADE UNION STRUCTURE

In 1980, the Trade Union Law, covered 8.834 million workers, 71.8 percent of the total trade union membership in Japan. This particular group has the right to organize, to bargain collectively and to strike.

In companies with 1 000 employees and more, there were 4.8 million employees, in those with 300 to 999, there were 1.3 million, between 100 and 299, there were one million members and in companies with less than 99 there were 535 000.

There are four senior labor bodies in Japan, known as the national labor centres. The largest, the General Council of Trade Unions of Japan (Sohyo), which has 50 affiliated unions covering 4.53 million members, represents 37 percent of all union members. Of this number, 30 affiliated unions with 1.495 million members come from the private sector and represent about 32.6 percent of the membership of the council. The public sector has 20 unions with three million members, representing 67 percent of the employees in this particular group.

The second major national centre is the Japanese Federation of Labor (Domei). This federation has 32 affiliated unions and covers 2.147 million members, which is 17.4 percent of the membership in all unions. This particular federation draws its major strength from the private sector with 92.4 pecent of its membership in 24 unions with 1.9 million members. It also has eight affiliated unions from the public sector with a membership of 163 000.

The third group is the Federation of Independent Unions of Japan (Churitsuroren) with 10 unions covering 1.337 million members representing 10.9 percent of all union members. The fourth group is the National Federation of Industrial Organizations (Shinsanbetsu) which has four unions affiliated with it, with 63 000 members and only 0.5 percent of the union membership. There is another group of unions, primarily independent ones that have not affiliated with the four national centres. This group has 4.593 million members and represents 37.3 percent of all trade union members in Japan. Table D provides the 1979 union membership by national centre.

The trade union movement enjoyed a healthy expansion until 1978. Since that time the membership has not been increasing quite as fast because of the large number of white-collar workers and also, it is felt, because younger workers are somewhat indifferent to the trade unions. The 1979 membership of the twenty largest trade unions in Japan is listed in Table E.

COLLECTIVE BARGAINING

The Private Sector

The annual round of collective bargaining in the private sector has become known as the Spring Labor Offensive - Shunto. This bargaining technique was begun in 1956 by the General Council of Trade Unions of Japan - Sohyo. Ten years later, the Japanese Confederation of Labor - Domei, joined in the process. The other two national centres also participate.

The Spring Labor Offensive, Shunto, has taken on national significance and approximately 80 percent of workers in the private sector are covered by these negotiations. The approach was organised by the unions as a means of unifying the labor movement and to give the trade unions more power to face employers. The unions felt that one of the weaknesses of the enterprise system was that each enterprise union had very little power to challenge employers. The unions believed that if they could force collective bargaining to take place at a set time for the majority of workers, this would strengthen their bargaining position.

In the 1980 Spring Labor Offensive the wage pattern was set by the steel workers and other members of the International Metal Workers Federation-Japan Council. These included the electrical machinery, metal, automobile, and shipbuilding workers.

The timetable for negotiations follows a simple pattern beginning in March and concluding in April. The companies negotiating receive the union demands at the same time, on the same day. The unions in return receive the response of the companies at the same time, on the same day. In 1980 the steel union demanded 8 percent and settled for 6.1 percent. Because the shipbuilding industry is still suffering from a recession, its union demanded 7.3 percent and settled for 5.3 percent. The electrical appliance unions demanded 8.5 percent and settled for 7.8 percent. The automobile unions demanded 8.06 percent and settled for 7.26 percent.

These settlements were reached in the beginning of April and became the pattern for all other groups. The final settlement increase percentage for 1980 has been estimated at 6.9 percent for the major private sector groups, amounting to an increase of about $60 per month. The settlement of 6.9 percent was well received by both labor and management. At the time it was reached, the wage increase was greater than the consumer price index, which was 5.4 percent. Later that year, however, consumer prices escalated to around 8 percent.

During the period of high economic growth, from 1965 to 1973, wage increases for Japanese workers were quite spectacular. Trade union policy was to use the previous year's increase plus a figure called alpha, which represented the national economic growth. In 1973, the oil crisis caused very high inflation and in 1974 the consumer price index was approaching 30 percent. The wage increase granted that year was 32.9 percent. From 1975 onward, the trade unions agreed that the demands of workers should be in line with commodity price increases and this became an incentive for the government to control consumer prices.

All of the national centres came together in the 1980 Spring Labor Offensive and indications are this will continue in the future, not only for collective bargaining but in other cooperative ventures as well.

The fragmentation of the labor movement is the biggest problem facing Japan's trade unions. Labor has been badly split over the years because of severe ideological differences, with those unions dominated or influenced by the hard left-wing ideology at loggerheads with the more conservative unions.

COLLECTIVE BARGAINING

The Public Sector

In 1980, the wage increase for public sector workers was not determined by collective bargaining. In the case of crown corporation employees, their increase was established by arbitration. For regular civil servants, national and local, the National Personnel Authority set the wage increase. In both cases, the wage increase in the private sector was an important influence on the wage increases for public sector workers.

LABOR STANDARDS

While Japan's Labor Standards Law applies even for one employed individual, including farm workers who are employed, it does exclude housewives and workers employed in family businesses.

The Labor Standards Branch has a number of labor inspection divisions to ensure that labor standards are enforced. There are 47 labor inspection divisions, one in each prefecture, and there are 348 local inspection offices throughout the country.

The Labor Standards Law draws its authority from the Constitution of Japan, which states that "working conditions must be that which meet the needs of the worker who lives life worthy of a human being."[2] The labour standards are quite specific and there are a large number. For example, they prohibit the use of a labor contract for longer than

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[2]The Labor Laws of Japan. The Ministry of Labor, Labor Standards, 1980, page 68.

one year. This has historical connotations because prior to World War II, there was forced labor. The intention of this standard is to ensure that an employee is not indentured to an individual for a long period of time.

In the case of pregnancy, an employee cannot be dismissed within six weeks before the birth of a child, and six weeks following the birth. In addition, a further 30 days notice must be given. The Labor Standards also contain a provision that an individual who is receiving compensation and who does not recover at the end of three years can be discharged providing that the employee receives compensation equivalent to 1 200 days pay.

The Labor Standard Law also states that a worker will not be forced to work against his will. This too, goes back prior to World War II when forced labor was prevalent. The law also eliminates the feudalistic practice whereby an employee could not leave his employer. The act states that the employer cannot enter into a contract which fixes in advance either the sum payable to the employer for breach of contract, or the amount of indemnity for damages. This eliminates the practice of setting damages at a level that prevents individuals from leaving an employer.

There is also a provision whereby the employer cannot deduct wages in advance as a condition of employment. This eliminates the pre-World War II practice of selling daughters. The only way for these young women to gain their freedom was to buy it. This was often very difficult because the amount they had to pay was so great.

The average paid vacations taken by Japanese workers is eight days, well below the allowable limit. One reason given for this is that many employees do not wish to be absent from work any longer than this, since they are reluctant to miss events occurring at work or fearful that taking longer vacations might be interpreted as a lack of interest in their jobs, thus hampering their career advancement.

Japanese workers also receive 18 special paid holidays each year, including six days at year-end and six days during the summer.

The law also restricts overtime for women, which goes back to the pre-World War II era. The officially recognized overtime rate is time and one-quarter. This also tends to be the overtime pattern for unionized workers.

EMPLOYMENT MEASURES

An individual who loses his job is paid by the unemployment agency and receives unemployment benefits. Those who cannot be trained and those who have difficulty finding work can rely on other benefits. Companies will also provide benefit payments. This is the general practice for layoff and unemployment problems in Japan.

In the case of a person 45 years of age or older who is laid off or is unemployed, the Government Stabilization Fund can be resorted to for a period of 1 to 1.5 years. To discourage layoffs, the government will subsidize 80 percent of the average wages in small firms and 60 percent in larger ones. If a layoff is inevitable, the employer must notify the Public Employment Security office 30 days in advance. The purpose of this is to let the employment agency know in advance so that it can assist in finding employment opportunities. The Chief of the Employment Agency may ask the company to reduce the number of employees to be laid off. There is however, no force or penalty that the chief of the employment agency can impose on employers. There is no legislation to prevent layoffs from taking place.

One of the important and outstanding features of the Japanese employment system is the life-time employment practice wherein a company hires young people, trains them, and tries to retain them as employees for as long as possible. Because of this, employers do not dismiss workers even if an economic recession occurs. Life- time employment is a managerial philosophy which applies equally to small and large companies. Every manager wants to keep employees for as long as possible. To assist companies with life-time employment commitments, the government provides a number of incentives to smaller companies.

While life-time employment is a philosophy of management, it is also a subtle and pragmatic employment policy on the part of the government to maintain high employment. This approach shifts the employment obligation to employers and away from government. The government, however, works closely with companies and provides incentives for them to maintain employment levels. The subsidies are provided from funds which could be used for unemployment benefits.

This governmental approach has many positive features including a lack of disruption of the lives of workers if they are laid off. It also gives the workers and the employers an opportunity to upgrade skill levels, since training subsidies are the most popular incentives. Maintaining workers on the payroll, instead of laying them off, helps to build a strong company identification and employee loyalty.

An example of this kind of government involvement occured during the 1973 oil shock when industry was ordered to reduce the length of shifts from eight to six hours. The incentives given to Toyota paid for two hours of training on each shift. Rather than reduce the work force, employees worked for six hours and attended training sessions for two hours, but were paid for the full eight hours. Another case involved Mitsubishi Shipbuilding, where there was a pending layoff of 3 000 workers. The President of Mitsubishi Shipbuilding asked the President of Mitsubishi Automobile Company to take the 3 000 workers, on the understanding that when the shipbuilding industry improved the workers would be made available. In this way, 3 000 employees were kept gainfully employed and the automobile company's need for additional employees was met.

There is specific legislation to cover the physically handicapped. The government has attempted to make it as easy as possible for employers to hire physically handicapped people and provides certain subsidies. Indeed, the legislation states that every employer should have 1.5 percent handicapped within his work force.

After hiring a handicapped person, the employer will receive $250 (U.S.) per month, for one year. In the case of a severely handicapped individual, the allowance is greater and extends for a period of 1.5 years. If the handicapped quota is not reached, in companies with 300 or more employees, a fine is levied. Money collected in this way is placed in a fund, which is later distributed to employers who meet quotas. Companies with fewer than 300 employees are not penalised if they fail to reach their quota. On the other hand, companies employing more than their quota of handicapped people receive additional funds.

Also related to the handicapped worker is a construction subsidy for companies employing 300 or more employees. This works out to about $70 (U.S.) per month, with no time limit. For employers with fewer than 300 employees, it is approximately $40 per month, with no limit. In addition, two-thirds of construction costs are funded by the government. If an employer has built a new house or improved an old one for the handicapped he will receive two-thirds of the cost of construction from the governmemt. If the employer hires more seriously handicapped people, four-fifths of these construction costs can be refunded. In 1975, the number of handicapped people in the work force amounted to 552 000.

Any consideration of the Japanese economic miracle must take into account the policy on employment and the employment system. There are a number of factors to consider. First, there is the rapid economic growth and the very impressive capital formation which has taken place over the past two decades. The rapid growth of the 50's, which continued for nearly 20 years, saw the economy grow at an average rate of about 10 percent per year in real terms.

This tremendous growth meant two things for the development of the Japanese employment system. First, the rapid and sustained expansion and the need for labor virtually assured the workers that jobs would be available to them for a long time. In fact, most large firms continued to increase employment at substantial rates, year after year. It was under such circumstances that the long-term employment security for all employees appeared as a social norm in the Japanese employment system. Moreover, rapid technological innovations, which promoted rapid industrial growth, caused employers to look for younger employees who would be more adaptable to changing technology. This reinforced the employer's emphasis on internal training.

The second factor was the nature of the work force. Companies relied heavily on younger workers during the early period of expansion. Low wages were sustained both by the pressure of large supplies of young workers and by their adaptability to sophisticated technology. These factors led to the development of a regular recruitment program for

young workers, and the practice of the Nenko wage system in which young workers receive low starting wages.

The fact that Japan started its industrialization only a century ago, meant that the country had to industralize itself quickly. This was done by relying on the knowledge and experience of other industrially advanced nations and applying them to large industrial companies from the beginning. The late and rapid industrialization also meant that modern industrial firms developed before an adequately trained labor force existed. Employers had to obtain their work force from the rural population which had no industrial experience. This meant that the companies had to institute widespread training programs.

When one examines recruitment, it is interesting to note that the influx of new school graduates occurs immediately following graduation in March. This is true for graduates at all levels: middle school, high school and university. The firms recruit labor, not only from the crop of new graduates, but from the pool of experienced workers and those with skills related to a specific occupation. Graduates account for only 20 percent of those recruited at that particular point.

Another important feature is the compulsory retirement program. The Japanese have tended to view it as merely a change from one occupational career to another. The retirement age is still 55 years for a large number of companies, but the government pension scheme only becomes effective at age 60. Consequently most workers who reach compulsory retirement find another job, usually with a subsidiary or a sub-contracting company of the parent one. This will last for at least five years, usually at a salary which is 40 to 60 percent of the one received prior to compulsory retirement.

The origin of the compulsory retirement system in Japan goes back to the beginning of the century and in those early days the practical meaning of retirement was quite different. Retirement was set at age 55, however most workers were unlikely to stay on the payroll until that age because the average life expectancy was much lower than today. Under the circumstances it was a positive incentive to encourage long service by giving retirement allowances to those who successfully survived age 55.

The situation has changed with the increase in life expectancy. The retirement age limit is now considered to be too low and has come under increased criticism. Compulsory retirement has begun to have a rather negative meaning, since it has been interpreted as a means of getting rid of older workers. The system also serves to allocate work. As the older workers retire, younger, less experienced ones fill the vacancies. These young workers are paid almost half the wage rate of the retiring workers. In addition, by retiring the older workers, the process provides a subtle means of keeping young workers employed, and in this way reduces the high unemployment level for young people which has caused severe social problems in other industrialised countries.

The third factor, the wage system, consists of three major components. First, the monthly regular wages are based largely on the personal attributes of ages, education, length of service, jobs and skills, and on minor components such as overtime, shift work, housing and family. An important point to be stressed in the Japanese wage system is that white-collar and blue-collar workers are both paid on a monthly rather than an hourly basis.

The second component is the practice of providing a bonus. Most Japanese companies pay a large bonus twice a year, in addition to regular monthly wages. In 1978, the average bonus for companies with 30 or more employees was approximately the equivalent of four months pay. These bi-annual bonuses vary with cyclical business conditions. They tend to be high in times of boom and low in recessions. Thus, employers enjoy a considerable degree of leeway in reducing their labour costs during periods of business fluctuation.

The third important feature is the retirement allowance. This is a lump-sum payment which is given to an employee upon retirement. In large firms, it is currently equivalent to approximately 40 regular monthly wage payments. The amount and rate vary with length of service, education, type of work - whether it is managerial, clerical or manual - and the size of the firm.

The amount given as a retirement allowance has been declining as the labour force has matured over the past two decades. Since most Japanese companies do not have North American style pension plans for employees, the retirement allowance becomes an economic nest egg for the five-year period between 55 and 60 years of age when the government pension plan becomes effective.

It has been estimated that employee absenteeism is negligible for most Japenese companies, indicating that employees approach the work place with tremendous enthusiasm and a very high level of motivation.

Professor Haruo Shimada, of Keio University in Tokyo, attributes this to a number of factors.[3] An important one is the in-house training programs in many Japanese companies. This, combined with the employee's rank, the type of job, its status, how it is organized and so on, help the employee to better understand his role within the organization. The normal training which an employee receives is much more than just a skills upgrading program; it includes a total comprehensive personal development program. This helps the individual worker to identify more closely with his employer.

In this kind of organization, the individual worker can clearly associate his/her personal welfare with the welfare of the company. The worker is therefore self-motivated to ensure the company's continued prosperity and this is reflected in increased productivity.

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[3]H. Shimada. The Japanese Employment System. Japanese Industrial Relations Series. Japan Institute of Labor, 1980.

During the economic slowdown of the mid-70's, there were employment cut-backs. However the employers did utilize a number of alternative measures to reduce labor costs without laying off employees. These varied from the reduction of overtime, freezing the work force, work-sharing and internal transfers, to straightforward hoarding of skills.

The collective bargaining parties were totally unpreprared for the consequences of the 1973 oil shock. There were no joint labor-management employment procedures which could be used. The economy had been growing and consequently there had been no need for such procedures. However, Japenese employers and unions showed great skill in dealing with this difficult matter. The employers were of the opinion that the short-term costs of maintaining a full work force were more than offset by the long-term gains associated with the retention of skills and the fact that the employees were likely to develop a closer identity with the company.

The government played an important role by providing subsidies, for such things as training, to offset certain costs.

The success in maintaining near full employment was due to the close cooperation among employers, unions, and the government.

THE EMPLOYMENT SYSTEM

Japan's employment policy has four objectives: to prevent higher unemployment; to stabilize employment; to find jobs for the unemployed; and to develop new sources of employment.

To prevent higher unemployment, the government established the Employment Stabilization Fund. It provides assistance to employers who are adversely affected by economic pressures.

In the event that an employer chooses to reduce the hours of work, no financial assistance is given. If an employer does lay off an employee and is solely responsible for this measure, then the employer must continue to pay the employee 60 percent of his/her regular pay. The employer can receive between 50 and 70 percent of the salary paid under these circumstances from government sources.

Unemployment benefits are given to employees whose positions are terminated. The amount depends on age. For example, the Unemployment Insurance Law stipulates that workers 55 years of age and older, receive unemployment benefits for 300 days, but an employee who is only 30 years old, would receive benefits for only 90 days.

In a situation where a company ceases operation, the employees are paid by the Unemployment Agency. Those employees who are incapable of being retrained, and who have difficulty in finding work, will have their benefit period extended. The companies will also provide training. If an employee is more than 45 years of age, the Employment Stabilization Fund will provide benefits for one to one-and-a-half

years. In the case of smaller companies, 80 percent of the wages will be paid from government sources.

As industrialization and demand for service grew, the employment pattern changed. In 1955, 37.5 percent of all workers were employed in the primary industries. This fell to 23.5 percent in 1965, and to 11.8 percent by 1977. On the other hand, the percentage of employees in secondary industries rose to 24.4 percent in 1975 and to 34.7 percent by 1977. The percentage in tertiary industries increased steadily from 28.1 to 53.2 percent in 1977. By 1980, more than half of the Japanese work force was employed by tertiary industries.

From an occupational point of view, in 1977, craftsmen and production process workers accounted for 30 percent of the total work force, followed by clerical and related workers at approximately 16 percent. Workers engaged in sales comprised less than 15 percent; farmers, lumber workers and fishermen less than 12 percent; protective service and service workers less than 9 percent; professional and technical workers amounted to 7 percent; workers in transport and communications less than 5 percent; and managers and officials less than 4 percent.[4]

UNEMPLOYMENT

The unemployment rate in October 1980 was 2.02 percent, much lower than the unemployment rate in the leading European countries, the United States, and Canada.

Even during a recession, when production has to be reduced, companies usually try to keep their excess manpower on the payroll and wait out the period until economic recovery. A survey conducted in 1979 indicated that more than 30 percent of the 504 major Japanese enterprises suffered from excess manpower.[5] Such practices are considered important factors in keeping the Japanese unemployment level low, compared to other countries, such as the United States and Canada, where layoffs are common.

There are certain fundamental principles built into the Japanese employment legislation. Article 27, of the constitution of Japan, states:"...all people shall have the right and obligation to work". This provision is considered to have guaranteed living security for workers who have no means of earning their livelihood except by their own labor. While such a guarantee does not imply an actual right to a job, it does imply political responsibility on the part of the state to provide work. This places an onus on the state to provide opportunities for jobs suited to the particular abilities of employees.

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[4] Employment and Employment Policy. Japan Institute of Labor, 1979 page 8.

[5] Ibid, p. 11.

The state also has a responsibility to ensure that employees earn a living during unemployment. The Constitution also provides the Japanese with the freedom of job selection. This means that when the state placement service cannot find an appropriate job for an individual, it cannot force that person into a job the person does not want. Guarantees of both the right to work and freedom of job selection are fundamental principles of Japan's Unemployment Law.

An examination of the employment measures in the post-war period shows that toward the later 1950's when people began to realize that the post-war period was over, there was a labor surplus and employment opportunities were scarce. Under those circumstances, top priority was given to the employment security of workers.

As a result, legislation relating primarily to securing job opportunities for workers and stabilizing their livelihood was introduced. This was the central thrust of all employment legislation. When the economy reached the level where economic self-sufficiency was obtained, the labor supply and demand rapidly improved.

In 1958, the Vocational Training Law was enacted to ensure that skilled workers needed for manufacturing and other industries would be available. It also improved the status of workers and contributed to national economic development. In addition, to assist workers who were being displaced from declining industries, the Temporary Measures Law was passed. Its primary purpose was to protect workers who were considered redundant. A shortage of school graduates developed, but there was a labor surplus among the middle-aged and the physically handicapped. To cope with this situation, legislation was passed to provide assistance to these two groups. In 1960, the Physically Handicapped Persons Employment Promotion Law was passed and in 1963 the Employment Security Law and Emergency Unemployment and Countermeasures Law was passed. During the succeeding years, as the economy grew, other legislation was passed to further improve the status of workers.

The oil shock of 1973 led to a long period of business stagnation and slowed economic growth. To deal with this economic crisis, legislation was passed to help the aging society and to provide better welfare aids, prevent unemployment and enforce the Employment Insurance Act, among other things.

In 1977, to cope with possible job loss, two further legislative measures were taken. One was the law concerning Temporary Countermeasures for Workers Displaced for Specific Depressed Industries, and the Law Concerning Temporary Countermeasures for Displaced Fishermen due to the conclusion of the International Fishing Agreement, which caused redundancy among fisherman.

There are a large number of legislative measures aimed at developing the principle of full employment. These include such measures as the skill acquisition and lodging allowances. The skill acquisition allowance is paid to qualified recipients as a supplement to the basic allowance in cases where the individual undergoes public

vocational training. It includes a number of allowances: a training allowance, which is a daily amount; a commuting allowance; and a lodging allowance, which is paid to qualified recipients who must live in accommodation separate from their family because they are undertaking vocational training. A sickness and injury allowance also exists, which provides benefits to an individual who is unable to work because of illness or injury.

There is also a promotion benefit allowance for fulltime employment, which provides certain individuals with additional help in finding a job. There are removal allowances, wider area seeking expenses, and so on. There is a well co-ordinated and sophisticated program of placement services.

This includes vocational guidance which has been interpreted as giving the necessary training to assist individuals to find jobs suited to their capabilities. Vocational training is also provided to those displaced from companies, so they can obtain the skills and upgrading necessary for job transfers and thus facilitate their re-employment.

Vocational training is carried out on a national scale at 421 vocational training facilities throughout the country, with an annual enrolment of approximately 230 000 trainees. The training program varies, depending on the training subjects, but usually runs six months.

In addition to the employment promotion activities, a number of measures have been introduced to prevent unemployment. One of the most important is the Employment Stabilization Fund System which consists of the Employment Stabilization Service and the Employment Stabilization Fund. The fund provides monetary assistance to keep workers employed by subsidizing employment measures such as temporary layoffs, education train-ing, and the like. The Employment Stabilization Fund approach was established to accommodate the unique Japanese employment system.

To cope with the changing system following the 1973 oil shock, employment stabilization grants were made available as a means of preventing unemployment by subsidizing employers during a period of temporary layoffs. These grants were fully used in 1975 and 1976, but the deterioration in the morale and skills of those workers on temporary layoff led to the development of other measures, including the Employment Stabilization Fund. These stabilization services provide a variety of benefits. The Employment Adjustment Grant may be used in cases where people are laid off temporarily and employers can be reimbursed half of the amount they pay to employees for not working, for up to 75 days. There is also a grant whereby employers who have conducted education or training programs for their employees, and pay normal wages during the business adjustment period, can receive half the wage cost from the government.

CHAPTER II

LABOR RELATIONS IN JAPAN

週休2日制の実現

総評オ3回拡大評議員会

THE COLLECTIVE BARGAINING PROCESS

In 1979, the Spring Labor Offensive Joint Struggle Council, without mentioning a specific figure, suggested to the industrial federations of labor unions that they set their wage increase objectives by using the consumer price increase and a standard of living improvement factor. That became the formula that was used in negotiations.

On an annual basis, once the negotiations for the Spring Labor Offensive have been underway for an appropriate period of time, an offer is made by the employers. This is the established practice. The offer is given by the employers to the unions at the same time on a specific date in April. When agreement has been reached at this level, other groups outside the Spring Offensive, representing about 30 percent of the private sector unions, use this settlement as a pattern for their own agreements. This customarily follows within a week or ten days.

Soon after this, the negotiations for the private railways, the public corporations, and the public sector national enterprises reach a climax. At this time, it is not unusual for the Council of Public Corporation and the National Enterprise Workers Unions to stage a short nation-wide strike. Sometimes, the strikes will last only one day, but are sufficiently long to paralyze the transportation system. The wage increase given to the private railway workers is normally of the same level as that of the major private industries. These negotiations are seen to finalize the Spring Labor Offensive. This usually occurs before the "Golden Week" in Japan, April 29 to May 5, a period which has several national holidays.

In the event that an agreement cannot be reached in wage negotiations for the public corporations and national enterprises, the dispute is forwarded for mediation by the Public Corporation and National Enterprises Labor Relations Commission.

While the workers covered in this category have the right to join unions and the right to negotiate, they do not have the right to strike, so their disputes must be settled by mediation or arbitration. The mediation process normally takes a month. Arbitration immediately follows the conclusion of mediation.

Actually, the chairman of the mediation committee, who is a public interest member, settles the matter during mediation by showing an unofficial plan to the committee members representing workers and employers. The contents of the arbitration award are virtually identical to those of the unofficial plan. In deciding wages for workers in public corporations and national enterprises, living expenses and wages in the private sector are taken into account.

The conclusion of collective bargaining takes place for smaller enterprises in May. The pattern set by the Spring Offensive has an important influence on the wage settlements reached by this group.

An examination of wage increases over the past 20 years shows that they were substantial, with an average annual increase of about 15 percent. In 1974, the wage increase reached 32.9 percent because of the incredible surge in prices resulting from the oil crisis. In 1975-78, however, the rate dropped to about 9 percent and by 1978 it had dropped to a level similar to that of the early 1960's.

The Spring Labor Offensive, which is a unique way of dealing with wage negotiations appears firmly established in Japan's economy and has almost twenty years of solid experience behind it.

LABOR-MANAGEMENT COOPERATION

As a result of the unique organization of trade unions, labor-management joint consultation and settlement procedures tend to overlap.

The labor-management joint consultation system has been set up in most enterprises to improve communication and understanding between the two sides on problems related to production and those matters not normally suitable for collective bargaining. The labor-management joint consultation differs from collective bargaining in a number of ways. First, the labor-management joint consultation machinery is clearly distinguished from collective bargaining; second, the labor-management joint consultation approach deals with the issues that are not discussed at collective bargaining; and third, the approach allows the parties to discuss matters at a preliminary stage, prior to formal collective bargaining.

In a 1978 Ministry of Labor survey, 51 percent of the unions in the private sector have labor-management consultation machinery, and for enterprises employing more than 1 000 workers, the rate increases to 69 percent.

Large enterprises with two plants or more, often have joint consultation committees, both at headquarters and at the branch level. Of the items discussed at the joint consultation level, 5 percent deal exclusively with such issues as management policy, production planning, business performance, management organization, service regulations, technological innovation, and improvement of efficiency; 76 percent deal with working conditions, disposition of complaints and welfare; and 19 percent deal with management or production related issues.

The survey reveals that 13 percent of the companies provide explanations to the unions; 23 percent of management seek union views; 56 percent of employers tend to discuss specific matters with the unions and 8 percent actually need approval from the unions before making decisions.

In cases where the two parties fail to reach agreement during the joint consultation process, 14 percent of employers put their plans into effect anyway; 52 percent modify their proposed decisions by par-

tially adopting union suggestions; 10 percent make unilateral decisions; and 24 percent find other ways to solve the problem.

The labor unions exert their influence on the employers' decision-making through the join consultation machinery. In cases where the parties cannot reach agreement on working conditions at this level, matters are set aside and included in the agenda for the next round of collective bargaining.

In addition, according to the ministry survey, a mechanism for dealing with grievances, comprising both labor and employer representatives, has been established by 38 percent of the trade unions polled. Of this number, 59 percent use a single-hearing system and the balance the multi-hearing approach. The survey indicated that the largest number of complaints, 68 percent had been received about the work environment; followed by 39 percent about wages and working hours; 34 percent about dismissals, disciplinary action and job changes; and 31 percent on human relations matters.

The problems which cannot be solved through the grievance procedure are dealt with through collective bargaining, but a number are settled by mediation, using a third party.

In Japan, enterprise unions usually have a structure corresponding to the organizational set-up of the companies, such as: plant, branch office, department, division or head office. Most of the complaints arising from daily working life are handled through labor-management talks at those levels. This means that many complaints are settled without grievance procedures or conversely, even if a grievance procedure is available it is used infrequently. Only 49 percent of the available grievance procedures tend to be used during any one year.

The matter of labor participation in management is also of interest to Japanese unions and there are some positive moves to promote it. In particular, the Japanese Confederation of Labor (Domei), released a report in January 1975 at its 11th Convention, entitled "For Realization of Labor Participation in Management". The report stated that the Federation would make every effort to strengthen labor-management joint consultation and collective bargaining in order to achieve the participation of labor representatives on the boards of directors, and especially the boards of auditors of its member companies. Other important groups have expressed their views on this matter. They include the Japan Productivity Centre, the Social and Economic Congress of Japan, which is a subsidiary of the former, the Japan Confederation of Employers Association and the Japan Committee for Economic Development.

The Japan Productivity Centre has suggested that a management policy committee be established, composed of union leaders and top management personnel, and that the system of labor-management joint policy consultation be strengthened, consolidated and be entirely independent of collective bargaining. The Japan Committee for Economic Development stresses the extension and consolidation of the system of

labor-management joint consultation and suggests that worker participation on the board of directors is a matter of long or medium-term study. The Japan Federation of Employers Association produced a study entitled "Management by Everybody Through Participation and Planning", in which the promotion of labor-management joint consultation at various levels is stressed. The direct labor participation in the management decision-making machinery, similar to West Germany, is still under consideration in Japan and some interest is being shown through consolidation of the consultation system to gradually approach the Western European type of participation in management.

Some Japanese companies, however, have already adopted labor participation in management in one way or another. For instance, Sankey - a newspaper - made provision in its labor agreement in June 1974 to grant its labor union the right to send its president to meetings of the board of directors and to have a voice in personnel appointments, particularly labor relations directors.

Also, Hitachi Shipbuilding and Engineering Company concluded a labor agreement in 1975 with provisions authorizing worker participation in its management council which advises the company's board of directors.

Matsushita Electric Industrial Company Limited entered into an agreement on labor participation in management and established the following program. The president of the company and top union executives hold a management council meeting once a month to discuss management plans, business projects, investments at home and abroad, changes in management and organization, etc. These discussions take place prior to final decisions being made by the board of directors. In each division, a management council has been established for talks on production and sales planning matters, attended by the head of the division and senior labor executives from the union branch offices. In each plant, a management council is organized to discuss the approaches necessary for efficient plant management and to participate in production and sales planning. These meetings are attended by the departmental manager or section head and union officials from the union branch office.

According to the Labor Ministry survey on labor agreements, only 2 per cent or 1 700 of the labor unions polled, have an agreement which allows workers to participate in corporate decision making. Of that group 67 per cent (1 139) of the labor unions actually participate in board of directors meetings, and the remaining unions have representatives on committees which advise their board of directors. These are probably similar to the Hitachi and Matsushita models.

Since the middle of the 1960's the labor-management consultation system has been steadily developing to cope with economic changes brought about by international trade problems or domestic matters. It also has the goal of developing mutual understanding and trust between the unions and the companies.

A survey by the Ministry of Labor revealed that a joint consultation system has been adopted in a number of industries, for example:

1) In metal mining two mechanisms have been established. The first was set up by the Federation of All-Japan Metal Mining Labor Unions and the major companies involved with that union. The other was established by the Federation of the Japanese Metal Resource Workers Union and respective companies. Both of these are designed to promote mutual understanding between labor and management on economic trends and industrial policies as they affect metal mining.

2) In coal mining a consultative mechanism has been set up between the coal mining companies and the national union of coal mine workers. This was established to stabilize the industry. Their meetings in recent years have been infrequent.

3) The textile industry is another example. Within it the Japan Conference of Textile Industry was established and is composed of employer organizations in cotton, chemical fibre, wool and linen industries and the Japanese Federation of Textile, Garment, Chemical, Distributive and Allied Industry Workers Unions. This body has as its purpose the joint discussion of general problems affecting the textile industry as well as employment security measures and wages. Within this industry are consultation groups in each of the specific industries, such as chemical fibre, cotton and wool, which are concerned with methods of wage negotiations as well as business trends.

4) In the lumber and woodworking industry, a consultative mechanism of unions was set up directly under Domei and the appropriate trade association. The purpose is to promote mutual understanding between the parties on industrial policy, rationalization of the industry, and wage matters.

5) Within the cement industry a joint consultation body was established composed of companies and their respective employees' organizations in the National Federation of Cement Workers Union of Japan.

6) In the iron and steel industry, a labor-management consultative body was established by the five major steel companies and their respective labor unions, and all members of the Japanese Federation of the Iron and Steel Workers Union. Its primary function is to discuss industry trends and policy.

7) Within the electric wire industry,the employers' organizations and individual companies and the All-Japan Electric Wire Labor Union, have established a joint body. Its purpose is to exchange views and opinions on business trends, the Spring Labor Offensive, and other matters. This body has also sponsored several missions

abroad composed of labor and management for the study of matters which affect the industry.

8) The machinery and metal industry has a variety of bodies based on the industrial divisions within the National Federation of Metal Industry Trade Unions, such as machine, steel frame, iron casting, forging and precision, and the corresponding companies belonging to those industrial divisions. Primarily, these bodies are to promote mutual understanding on wages.

9) The All-Japan Federation of Electric Machine Workers Unions and the corresponding employers' organizations have established a joint body for the exchange of views and opinions on business trends. They also discuss the Spring Labor Offensive and problems concerning international trade. There is also a body set up by member unions belonging to the Electrical Machinery Division of the National Federation of Metal Industry Trade Unions and the companies involved in that industry.

10) There is also a joint consultative body in the shipbuilding industry, which was established by the National Federation of Shipbuilding and Heavy Machinery Workers Union and the corresponding employers' organizations to discuss industrial trends and policies for safety and sanitation, among other matters.

11) In the shipping industry there are nine joint consultation councils, which have been set up by the All-Japan Seamen's Union and the corresponding employers' organization. The subjects dealt with range from employment, food supply, and sanitation to ship safety.

12) Within the electric power industry, the joint labor-management committee set up by the Federation of Electrical Workers Unions of Japan discusses such matters as the business trends concerning electric power, nuclear power generation, pollution and the utilities rate.

TRIPARTITISM IN JAPAN

The 1973 oil crisis greatly affected the Japanese economic structure. The problems which appeared were those normally associated with recession in advanced industrialized nations such as the slowdown in economic growth, large imbalance between supply and demand, high increase in unemployment, instability in employment, and high inflation.

It became apparent to the unions in 1974 that they could not continue to obtain the large increases of the previous years and so they decided to change their tactics. They switched their strategy to greater demands on government in such matters as a guarantee of wage increases, lower consumer price levels, employment security, job creation through job development in construction, as well as improvement in social security and price stabilization. They emphasized these items as much as wage increases.

The Trade Union Council for Policy Promotion, which is composed of Domei and major private enterprise labor unions, endeavoured to obtain the same demands. However, their tactic was to work with the government and the political parties. This approach is based on the social contract concept and they try to settle wage negotiations at a level which does not cause unemployment and inflation.

Because of these differences it became evident that there was a need for the three parties - government, labor and management - to improve mutual understanding of each other's problems by discussing them. It was expected that this could provide an opportunity for the labor unions to participate in decision-making to a much greater degree than in the past. At the national level there is a tripartite joint consultation group called the Industry and Labor Round Table Conference-Sanrokin, which is sponsored by the Minister of Labor and is composed of top ranking leaders of government, labor and management. It is normally chaired by a prominent academic. It has had considerable success in promoting better communication and understanding among the three parties.

The unions are represented by the presidents and general secretaries of the four national centres and other union leaders. The business community is represented by business leaders from the Japanese Federation of Employers Association, the Japan Federation of Economic Organization and the Japan Chamber of Commerce and Industry. It was established in January 1970 for the purpose of seeking opinions and obtaining cooperation and support for industry and labor policies from as wide a range of people as possible, as well as promoting mutual cooperation among the parties. The effects of 1973 brought home to all the parties concerned the precarious nature of the Japanese economy and the need for greater understanding and cooperation.

By the end of 1978, the Conference had met more than 80 times, almost once a month, for discussion on a variety of topics such as wages, prices and unemployment. The Prime Minister and other cabinet ministers attended several times each year, while the Labor Minister, as well as the Director General of the Economic Planning Agency, participate on a regular basis.

Since 1978, a consultative body has been in existence within the public sector called the Round Table Conference for Public Corporations and National Enterprises Labor Problems. This body is also sponsored by the Labor Minister and is composed of top ranking leaders of both labor and management in the three public corporations and the five national enterprises. The presidents of all related nation-wide labor unions, the presidents of the three public corporations and vice ministers and directors general of the five national enterprises of the bureaus responsible for business administration, and specially selected academics have been invited to participate. Its goal is the development of mutual trust between labor and management in the public corporations and national enterprises, attained by having frank discussions over a wide range of problems.

In 1973, the labor movement established the Labor Liaison Council of Multi-National Enterprise Problems to cope with labor problems in Japanese firms operating abroad, as well as dealing with labor problems of foreign company enterprises operating in Japan. Parallel with this organization, the employers established the Japan Overseas Enterprise Association in 1974. In the same year, the Liaison Council for the Study of Industrial Relations in Multi-National Enterprises was set up by the three parties for joint consultation and cooperation.

Within the realm of government there are a number of advisory councils which have been set up to advise specific ministries on effective policy planning, and labor unions are represented on most of them. Within the Ministry of Labor there are tripartite councils dealing with labor standards, industrial homework, workmen's accident and compensation insurance, minimum wages, women and young workers' problems, vocational training, and so on. Draft bills and policy outlines are all decided after being discussed at these councils by labor management and the public interest representatives.

EMPLOYERS' ORGANIZATIONS

The leading employer organization in Japan is the Japan Federation of Economic Organizations - Keidanren. The collective bargaining arm of business is the Japan Federation of Employers Association - Nikkeiren. The Japan Committee for Economic Development, and the Japan Chamber of Commerce and Industry are other influential organizations.

The Japan Federation of Employers Association, Nikkeiren, which is responsible for dealing with labor-management relations, has a membership composed of 47 trade associations, three public corporations - the Japan National Railway, the Nippon Telegraph and Telephone Corporation, the Japan Tobacco and Salt Public Corporation - as well as regional organizations of employers. There are several employer organizations which do not belong to the Federation. One example is the Ship Owners Association, which assumes responsibility for its own collective bargaining. The employers' associations in private railways, the textile and bus service industries, also become directly involved in collective bargaining. All other trade associations and the Japan Federation of Employers Association do not engage directly in collective bargaining. The Japan Federation of Employers Association performs a wide range of activities for its members. It coordinates opinions concerning labor problems and acts as public spokesman on labor matters. It also provides member organizations with assistance and services in labor relations, labor law, and management.

Every year at the time of the Spring Labor Offensive, the Japan Federation of Employers Association releases guidelines to the individual employers on how to counter union demands. These guidelines are normally developed from the concept that the wage increase should be based on the real growth of the national economy and on the productivity and efficiency of the companies. In 1974, when prices increased dramatically, the Association agreed that, as an emergency measure, the extraordinary price trend should be included as part of the wage increase.

As a result the wage increase for that year was a record 32.9 percent, and subsequently, the Federation formed a research body, now called the Wage Problem Research Commission, to conduct studies on wage levels.

Every year, the Research Commission announces its position and proposed wage increases at the time of the Spring Offensive. For instance, in 1975 it stated that the rate increase should be under 15 percent; in 1976, that it would be zero or no higher than one digit. In 1977, it announced that it should correspond to the real economic growth rate. In 1978, it indicated that productivity should be the determining factor for each industry and employer. In 1979, it stated that the major consideration should be the ability of each enterprise and industry to pay an increase. Many people believe that the guidelines which are used by the Japan Federation of Employers Association have a considerable effect on wage negotiations during the Spring Labor Offensive.

LABOR DISPUTES

The number of labor disputes in Japan reached a peak in 1973-74. There has been a marked decrease since then and the number of lost man-days is quite low compared with other countries in the western world. Next to West Germany, Japan has the least number of days lost due to labor disruption.

Wage demands are the main cause of disputes, acccounting for more than 40 percent of the total. Bonus issues are next, bringing it up to 50 percent. Because certain of the national centres have been seeking non-traditional benefits in the Spring Labor Offensive in recent years, these kinds of disputes constituted more than one-third of the total in 1977.

Labor disputes tend to concentrate during the period of the Spring Labor Offensive, with half of them occurring during the February to May period, and when the summer and year-end bonuses are being negotiated.

Most of the disputes are settled fairly smoothly, with no prolonged strikes or violent strike action and are usually resolved and handled by the union and company concerned. When they get out of hand, a labor relations commission becomes involved.

LABOR LEGISLATION

Labor legislation, despite being discussed for more than 70 years, became a fact only after the Second World War. In December 1945, the Trade Union Law came into force. As noted in Chapter I, it authorized free trade unions for the first time in Japan and guaranteed workers the freedom to organize. In the following year, the Labor Relations Adjustment Law was enacted to adjudicate and prevent labor disputes. At the same time, the New Constitution of Japan was enacted and under Section 28 workers are guaranteed the right to organize, to bargain collectively and to strike.

Under Japanese law and tradition these basic rights are not without restriction. It has been interpreted that their use must not interfere with the fundamental rights guaranteed by the Constitution, such as equality, liberty and the right to own property. The Trade Union Law of Japan is a direct outgrowth of the rights of workers guaranteed by the Constitution.

The law also states that trade unions are exempt from the provisions of the civil and criminal codes. In addition, it prohibits the use of unfair practices by employers.

A formalized certification system for unions does not exist in Japan however to become recognized a union must present evidence to a labor relations commission that democracy is guaranteed in its constitution and that it meets the qualifications stipulated in the Trade Union Act, notably that its primary purpose is to represent employees. Once it has passed the test, it becomes a union and can seek to extend the pertinent collective agreement to cover its members. It is eligible to nominate labour representatives to a labor relations commission and to file complaints of unfair labor practices with it.

Workers are free to participate in or withdraw from labor unions with no loss inflicted upon them. When a labor union represents more than half of the workers in a plant or workplace, it can conclude either a union shop or closed shop agreement with an employer.

Regardless of whether they have a legal basis or not, labor unions are qualified to be parties in a lawsuit and can institute legal proceedings. However, it is understood that they cannot file lawsuits over the rights and obligations of individual union members unless they have some specific reasons.

While Article 28 of the Constitution guarantees the rights of workers to organize, bargain and act collectively, there is no mention of employers having the right to organize or carry on related activities. The International Labor Organization Convention #87, on freedom of association and protection of the right to organize, has provisions for employers to establish their own organizations and it has been ratified in Japan. From this has come the Japanese recognition of passive and defensive lockouts by employers which has been reinforced by a 1975 judgement of the Supreme Court. If the lockout is deemed justifiable, wages need not be paid to employees for the period.

Trade unions are free to decide whether their representatives will bargain directly with the employers or delegate the power to a third party, but employers do not have this freedom; they cannot delegate their responsibility to negotiate to a third party.

Under the Trade Union Law, collective agreements are written agreements reached through collective bargaining, between the labor union and an employer, dealing with working conditions and other related issues. Collective agreements have two parts. One deals with working conditions, such as wages, working hours an so on. The other delineates

the relationship between labor unions and employers as well as procedures for collective bargaining. The latter can be re-opened at the wish of either party at any time.

A collective agreement imposes an obligation on the parties to refrain from taking strike action or to revise or remove items in the agreement during its term, and in this respect it is similar to collective agreements in Canada. The Trade Union Law stipulates that under certain conditions the collective agreements may be extended to cover similar kinds of workers, both in the same plant or workplace and in the same locality. Collective agreements exceeding three years are not permissible. Agreements with no term can be terminated by written 90-day notice by one of the parties.

Industrial actions taken by labor unions are exempt from criminal and civil liability and the unions are assured protection. In Japan, when industrial actions taken by labor unions are considered inappropriate, employers may often seek dismissal or disciplinary action against the responsible leaders. But they rarely claim indemnity from labor unions for damages caused by industrial actions.

To strike or take other industrial action on matters which are not under the employer's authority or control is not acceptable and consequently political and sympathetic strikes are not considered justifiable. The criterion for proper industrial actions is that they should not upset the harmony of other fundamental human rights as defined by the Supreme Court of Japan. Industrial actions deemed illegal are wildcat strikes, sabotage, and actions which deliberately produce defective goods.

A worker who has participated in a strike or other industrial action is not entitled to demand wages for the time lost. Indeed, if an employer does not deduct the appropriate amount from the wages of strike participants, charges of unfair labor practices can be laid because the action can be interpreted as interference with the union. This means the employer has no choice but to withhold the lost-time wages from employees.

The right to strike in Japan, as guaranteed by the Constitution, is not entirely free from restrictions because of the impact on the general public and society as a whole.

The practice relating to legal strikes has been that those which involve violence are prosecuted under the Criminal Code. Under the Trade Union Law an employer can sue a union where an improper act was committed. The penalties for illegal strikes are somewhat difficult to ascertain. Dispute picketing, as we know it, is not popular in Japan and any violation of the normal picketing practice would also be covered by the Criminal Code rather than the Trade Union Law.

The Labor Relations Adjustment Law prohibits industrial actions which would suspend or prevent the normal operations of safety in factories, mines and other workplaces. It also stipulates that

employees of private enterprises operating in the public interest, such as electricity, gas, water, private railways, hospitals, etc., are obligated to give advance notice before taking industrial action. Strikes staged to demand clarification of doubtful points in the interpretation of a mediation proposal, offered by a labor relations commission, prior to its acceptance are also restricted.

The Strike Control Law prohibits strikes in electric supply companies which could directly affect the normal supply of electricity and in the coal mining industry, where they would endanger human lives by the suspension or prevention of normal operations of safety maintenance activities. The Seamen's Law prohibits strikes when a vessel is in a foreign port, or when peoples's lives or the ship itself are in danger. Industrial actions by public service employees are prohibited.

The Trade Union Law provides measures against all unfair labor practices to protect the worker's right to organize. The procedures involved are administered by the labor relations commissions. Measures to protect trade union activities do exist, such as judicial relief by the court. In addition, the Trade Union Law has established a special procedure in which appropriate relief can be obtained easily and promptly through a labor relations commission.

There are a number of unfair labor practices and they can be classified into three broad groupings: discriminatory treatment such as discharging an employee because of participation in trade union activities; refusal to conduct collective bargaining with a trade union without appropriate reasons; control and interference with the organization and management of trade unions.

An unlawful discharge is null and void according to civil law. Yellow dog contracts, wherein the employer stipulates that the employee must refrain from union membership and participation in union activities, are also null and void. An employer's financial support of a trade union's operational expenses is deemed an unfair labor practice. Therefore, the payment of an amount equivalent to wages for the period of a strike or payment of wages for union activities performed during working hours are prohibited. However, there are exceptions: wages may be paid for time spent on collective bargaining and at management conferences; contributions to the welfare fund, or a similar fund, created by the trade union for its members are allowed; and a trade union may be given minimum office space.

The Labor Relations Adjustment Law was enacted to assist in the settlement of labor-management disputes where negotiations cannot be concluded through face-to-face bargaining. Under the law there are three methods for settling a dispute.

Conciliation is the most popular approach and has considerable support from both labor and management. A conciliator, appointed by a labor relations commission, attempts to solve the dispute by confirming the claims made by both labor and management and working with both parties to reach an agreement. Normally, a public or neutral member of

the commission acts as conciliator, and if the circumstances are appropriate, he can also offer a proposal for settlement. If an agreement cannot be reached the conciliator refers the matter to the appropriate labor relations commission.

When the conciliation process fails, a mediation committee is formed. It is composed of representatives of the public, the trade unions, and management. Normally the chairman of the labour relations commission concerned appoints commission members to the committee. It prepares a proposal for the settlement of a dispute and recommends that labor and management accept it. It can also publish the proposed settlements and its justification and enlist the help of the news media to publicize it. In mediation, labor and management are free to decide whether or not to accept the proposal.

In the event that mediation does not lead to an agreement, the dispute is referred to a labor relations commission for resolution by arbitration. An arbitration committee is formed, consisting of only the public neutral members of a labor relations commission. The committee develops a proposal for the settlement of the dispute and its majority decision is final and binding to both parties. This method is not popular with Japanese unions.

There are certain exceptions to the Trade Union and Labor Relations Adjustment laws found under the provisions of the Public Corporation and National Enterprise Labor Relations Law. It applies to employees of the public corporations and national enterprises. It stipultates that the union or closed shop system cannot be used, prescribes special provisions for restrictions on matter to be negotiated and employment of the bargaining committee system, prohibits all forms of work disruptions, and has established compulsory arbitration for the settlement of disputes.

Another law, the Local Public Enterprise Labor Relations Law provides exceptions to the Trade Union Law and the Labor Relations Adjustment Law for local public enterprises, local railways, local trucking, gas, water, and others. These exceptions are similar to those of the Public Corporation and National Enterprise Labor Relations Law. However, the local labor relations commissions settle disputes and examine unfair labor practices for these public enterprises. The Local Public Enterprise Labour Relations Law also applies to workers in the regular government service.

National public service employees in the regular government service class, other than employees of the five national enterprises, are covered by the National Public Service Law, which sets out the provisions for labor-management relations. These employees, with the exception of the police, maritime defence agency and prisons, are permitted to form unions but do not have the right to conclude collective agreements. Negotiations with the authorities on working conditions are allowed, but strikes are prohibited. Although unfair labor practice measures are not provided for, the employees are guaranteed protection from discriminatory treatment received because of membership

in a union or employee organization. Moreover, the National Personnel Authority, which reports to the Cabinet, makes recommendations concerning the improvement of wages and working conditions.

Local public service employees in the general government service, other than local public enterprises, are not covered by the Trade Union Law and the Labor Relations Adjustment Law, but are covered by the Local Public Service Law, whose provisions are similar to those in the National Public Service Law.

Those employed by the National Diet, the courts and National Defence Agency are not covered by the National Public Service Laws. They are covered by separate laws and they are excluded from the provisions of the Trade Union Law and the Labor Relations Adjustment Law. Table D provides information about 1979 union membership covered by the various laws.

THE JAPANESE LABOR MOVEMENT

The 1979 annual survey of trade unions revealed that the number of trade unions had increased to 71 780 from 58 812 since 1969. In June 1979, there were 12 309 000 union members representing a 31.6 percent level of unionization compared to 11 239 000 or 35.2 percent in 1969.

The 1979 union membership in the private sector totalled 8 573 milion, a decrease of almost 1 percent from the previous year. Union members in companies of 1 000 or more, which is still the largest group, numbered 4.8 million. Membership in companies that employed between 300 and 99 totalled 1.3 million, in those with between 100 and 299 employees, 1 million and companies with 30 to 99 employees, 465 000. The 1979 membership of unions by specific industries can be found in Table B and that of the 20 largest trade unions in Table F.

The number of trade unions that concluded labor agreements totalled 52 301, an increase of about 2.5 percent over the previous year, but the number of union members covered by the labor agreements decreased slightly from the previous year to 8.9 million.

An examination of the four national centres shows that the General Council of Trade Unions of Japan (Sohyo) increased its membership by about 0.5 percent over the previous year, the Japanese Confederation of Labor's (Domei) decreased by about 1.6 percent, the National Federation of Industrial Organizations, increased by 3 percent as did the Federation of Independent Unions. The largest increase was in the membership of the National Council of Chemical, Energy and Industrial Workers Union, up 7.5 percent from the previous year.

An examination of the membership of the major national centres, in terms of the law under which they are organized, shows that the union members organized under the Trade Union Law increased by 1.5 percent. The 1979 membership of the national centres is detailed in Table E.

THE NATIONAL LABOR CENTRES

General Council of Trade Unions of Japan - (SOHYO)

This was formed in 1950 and grew from a desire to unify a number unions which were then competing against each other. Its membership is primarily from the public sector, but 17 percent is from the private sector. It is interesting to note that 50 percent of the private sector workers are not affiliated with any of the four national centres.

Sohyo has considerable influence in the setting of rates since the Steel Federation of Unions is a member, as is the General Federation of Private Railway Workers. Approximately 70 percent of the total work force is with the large companies employing more than 1 000 people. In smaller companies, only 10 percent are unionized. It was pointed out by Sohyo officials that the enterprise unions make the industrial union system very weak and it is almost impossible to develop industry-wide unions.

In 1980, Sohyo was a participant in the development of a unified labor movement. The reason for this unification, according to Sohyo, is to undertake a campaign to change the retirement age to 60, to develop a program on housing and to improve the medical care in the country. Sohyo indicated that since the Japanese live longer than others, greater emphasis has to be placed on gainful employment for the aged, as well as on improved medical care and pensions.

In discussing the low rate of unionization, a number of reasons were given. Of importance is the fact that unions do not try very hard to unionize workers, and that management tries to prevent the unions from being successful. In the bank, insurance, transport and telephone industries, 61 percent of the employees are unionized, as are 73 percent in the electrical, gas and water industries. The primary reason for the high rate in the latter group is that it is in the public sector. The major reason for the higher unionization rate in the public sector is that management in the private sector is not sympathetic to unions and works hard to remain non-union. There are very few industry-wide unions; those that do exist are in mining, the private railroads, the textile industry and shipping.

Sohyo's role in collective bargaining is to give guidance to the enterprise unions so they have a standard approach in bargaining. The steel industry has a uniform approach, although there may be slight differences at various locations. The collective agreement at each enterprise has a clause that states that the agreement is valid only when signed by individuals in the company. This prevents people in industry-wide organizations from becoming involved.

One of the reasons given for the low strike rate in Japan is the fact that the trade union movement learned a great deal in the 1950's when there was a 63-day strike in the mining industry and a 115-day strike in the electrical industry. These two lengthy strikes

convinced people that striking was not a good approach. The number of days lost because of strikes has been declining in recent years. The reason for this is due primarily to the fact that there are very few unions in Japan that could carry out a strike on an industry-wide basis or for a prolonged period. There is concern within the union movement that even if a strike at the industry level was possible, then the members of the union would most probably leave that company and join a non-union company, because they do not wish to become involved in labor confrontations. Another reason is that there is considerable competition among enterprises and they are reluctant to become too closely involved with their competitors in dealing with industry-wide unions, since they feel they may lose whatever competitive advantage they may have.

The number of strikes decreased during the oil crisis because companies wanted to lay off workers but unions worked hard to keep them on the job. Strikes dropped to one-tenth of the previous level. This has been attributed to the cooperative attitude of the trade unions.

According to Sohyo, workers are beginning to complain about the practices that lead to high productivity. Some younger workers are refusing to work overtime because they commute long distances to work and have little time left for personal affairs. Sohyo pointed out that the average work year in Japan is 2 200 hours and in the United States it is only 1 700 hours. Only 5.6 percent of all companies in Japan have a 5-day week, and these companies tend to be the larger ones. The other companies have 5.5 or 6-day weeks. The 5-day work week is found primarily in the electrical, steel and automobile industries, which are the pattern-setting industries and have the strongest unions. Most small companies have 6-day work weeks, and office workers normally work 5.5 days.

The trade unions agreed to higher productivity because they saw it as a means of developing a substantial export market. Increased productivity, it was found, did not lead to high unemployment; on the contrary, there was considerable industrial expansion and the work force increased. This was particularly apparent in the steel industry where in 1960, the volume of raw steel was 30 million tons. By 1980, it was 110 million tons. Japan was able to increase the work force and the employment level.

The Japan Productivity Centre, which was organized in 1954 and received financial assistance from the United States, was not supported initially by Sohyo. At that time, Sohyo felt that improved productivity would lead to unfair distribution of profits, would primarily benefit the companies, and could lead to layoffs. According to Sohyo, workers in smaller companies receive about 60 percent of what larger companies pay, while women receive 50 percent of what men earn. Over the years, it has emphasized its opposition to the general policy of improved productivity since it believed that the worker would be exploited.

Sohyo has the reputation of being the most left-wing of all the national centres. In addition to the normal bread and butter

economic issues, it has developed a program of social issues which it has publicized from time to time. For example, it has indicated that it will support nuclear power if it can be assured that safety can be guaranted. In the absence of such guarantees it believes nuclear power should not be developed any further. Sohyo appears to be a minority on this issue, since other unions do support the nuclear power concept.

Sohyo is very concerned about the energy problems facing the country since 70 percent of the energy used in Japan is oil and the country has no oil of its own. It is also concerned about the country's food supply since it claims that 97 percent of the grains used have to be imported.

Sohyo has no interest in the German system of co-determination, because it believes that the enterprise union system provides more power to the individual workers than does the European or North American union systems.

Despite past suspicion and opposition to the concept of producitivity, Sohyo is becoming more positive and supportive of this issue.

Japanese Confederation of Labor - (DOMEI)

Domei was established in 1954 and many of its early members switched from Sohyo because of its left-wing tendencies. The supreme governing body of Domei is the National Convention, which is held every other year, usually in January, and 1 000 delegates take part in the three-day convention.

Domei has local chapters in all of the prefectures, commonly called Prefectural Domei, and the membership consists of those organized industrial organizations who register with Domei headquarters. The local chapters function not only as branches of Domei, but also as autonomous decision-making bodies in all economic, social and political spheres of the community, in accordance with the principles and policies of the parent organization.

Domei played an important role in the development of productivity in Japan. It is very proud of the four principles of productivity which were developed by its third annual convention. These principles led to the development of strong support within Domei and subsequently from the other national centres.

The economic development of Japan following the Second World War depended to a great extent on reconstructing the country in a manner that was democratic and economically viable. To do this, there was a great deal of interaction between labor and management. Domei, for its part, was very strongly in favour of the development of the Japanese Productivity Centre and cooperated in its foundation. While supporting productivity, Domei was convinced that the workers would benefit from it. Domei also felt that in order to improve labor-management relations, there was a need for innovation. It was also of the opinion that

the most expeditious way to develop a trade union movement in Japan was through enterprise unions. This was seen as a unique means of giving the individual worker a great deal of power at the local level.

According to Domei, Japan's relatively good record for the low number of man-days lost due to industrial disputes,is a direct result of having a union's power controlled at the local level. This, it argues, forces consultation between the employees and the employer, thereby developing a harmonious relationship which makes strikes unnecessary.

In developing its policies for collective bargaining, Domei took a number of factors into account. Notably, it felt that the workers were entitled to a share of the benefits of productivity, that they had to be protected against inflation, and that the growth of the national economy should be reflected in wage level increases. Wage levels also had to be increased to accommodate a shift from an export-oriented society to a domestic-oriented one. If such a change is to occur, the workers must have the means of purchasing the consumer products which such a change would bring and therefore an appropriate wage level is necessary. In 1980, the Domei demand of 8 percent considered the 5 percent consumer price increase over the previous year and the 6 percent economic growth rate of which 3 percent would be for real wage growth.

The government appears as the silent partner in negotiations and, although there is no overt action, there is a strong impression that it probably exerts considerable pressure on the pace-setting industries and unions to make economically reasonable settlements.

In 1980, the average national wage increase was 6.9 percent. The consumer price index, in November of that year, was greater than 8 percent. The government had promised to hold the price levels at 6.4 percent and Domei requested that it live up to its commitment.

On the matter of goverment and union cooperation there is a consultative committee on changes to legislation which affects workers. Most of the established committees between government and labor are tripartite standing committees and they number about 100.

One of the unions affiliated with Domei is the All-Japan Postal Workers Union, with 60 000 members. There is also the Japan Postal Workers Union which is a Sohyo affiliate and is much larger than the Domei union. The Domei union is considered to be conservative, while the other is more militant. Because Sohyo has pursued a policy of being opposed to automation, and because Domei and its affiliates believe that automation is worthwhile, this has led to considerable tension between the two union groups. Domei affiliates feel that because the postal service is paid out of the national budget, it should maintain good service.

It has taken almost ten years to develop a satisfactory agreement with the unions concerning automation in the post office. Part of the agreement was that no worker was to lose their job and if a person

was to be transferred to another location, it would not be to a position that required more than 1.5 hours commuting time. The unions reluctantly agreed to the latter clause since they only wanted a 1 hour commuting period. Where workers are expected to commute for longer than 1.5 hours, the worker has the choice of moving to the new location or remaining in the current position until retirement. The two post office unions do not have distinctive jurisdictional areas, such as inside or outside, yet there is no mechanism for dealing with jurisdictional problems that may arise between them.

There is keen competition between Domei and Sohyo and this affects their affiliates, like the Japan National Railway, where both groups have ongoing jursidictional disputes. Here, too, there is no mechanism to deal with jurisdictional problems.

Domei, in developing policy guidelines for wage settlement, indicates to its affiliates that these are not binding. In the event that a local union decides to seek an increase larger than the guidelines, it is free to do so. Domei also provides staff assistance to small locals during negotiations and is encouraging industries to bargain in groups where possible.

Among Domei's future plans is a strong determination to have a greater voice in the development of national policies, to strengthen the independence and autonomy of the individual worker and to strengthen competition. It is presently considering the establishment of an economic institute to assist in reaching this goal. It would like to increase the drive toward unification of other private sector unions and it wants to increase the political strength of the Socialist Democratic Party and the other opposition parties. In terms of collective bargaining, it stated its priority is to change the mandatory retirement age of 55 to 60. A second objective is to shorten the working hours in line with the rest of the world.

This particular union is highly oriented toward business trade-unionism and in many ways is a conservative organization.

Federation of Independent Unions of Japan - CHURITSUROREN

The federation is composed of 10 industrial trade unions, with a total membership of 1.32 million. It was established in 1956, with 15 trade unions and 750 000 members. At that time, the labor movement was divided into three national centres. There were also some independent unions and a number of them tried unsuccessfully to unify the labor movement. One of the federation's primary objectives is the unification of all national centres and although it is only the third largest, it believes it is in a very strong position to influence such a unification.

The federation's affiliates are private sector unions, involved in such industries as electric machinery, manufacturing, life insurance, petroleum and food services. Despite its size, it appears to have an influence on negotiations because of this broad range of organi-

zations and its base in the private sector. It has member organizations in 12 of the 47 prefectures and it is working hard to develop local affiliate unions.

It plays an important part in the Spring Offensive (Shunto). While it is quick to say that it wishes to work closely with the government of the day, it makes no attempt to hide the fact that it works, along with the other national centres, toward strengthening the opposition parties in order to realize its political objectives.

In preparing for collective bargaining, the federation considers such factors as wages, bonus, reduction of working hours and retirement age. In the cement industry, collective bargaining takes place twice yearly — once in the spring for wages and in the fall for bonuses, the latter being concerned with the summer bonus and the end-of-year bonus.

The bonus system is a traditional Japanese employment practice. Its overall objective is to retain employees and at the same time provide an identity with the company. The annual bonus, on the average, is the equivalent of five month's pay. Cement industry workers receive between five and seven months, and life insurance workers receive between eight and ten months.

There is no direct affiliation between the federation and the Japan Productivity Centre, although some affiliates of the organization do attend meetings. The Japanese Productivity Centre sends groups out to speak to companies that may want information on ways to improve productivity. The federation felt that the Japan Productivity Centre was imported from the United States and as such, had a certain stigma attached to it. There is a body called The Productivity Congress of the Unions, which is affiliated with the Japan Productivity Centre, but the federation does not have membership in that body either.

The federation indicated its support for the concept of productivity and its use in Japan.

According to the federation, the lack of strikes is due to two factors. First, because its members are enterprise unions, the power and decision-making rest at the local level; and second, because the labor unions are becoming more powerful, management has to concede at the bargaining table supporting the idea that the more powerful the unions become the more seriously management must take them.

It is only recently that strikes have increased. During the low-growth period the unions realized they could not get everything they wanted so they decided there was no point in going on strike. Instead they turned their attention to obtaining settlements.

According to the federation, unions lobby various opposition parties so that their demands are heard by the ruling government party, and this is a clear attempt by them to influence the government's decision-making. There is also a high level committee consisting of

labor, management, and government, to deal with economic matters, and there are a number of other committees which deal with a variety of matters in which the unions are represented. However, because the government of the day in 1980 had an absolute majority, there is little opportunity for the labor movement, according to the federation, to be very influential with the government.

National Federation of Industrial Organizations - SHINSANBETSU

The National Federation of Industrial Organizations was established in December of 1949. Prior to this there was a body called the Congress of Industrial Labor Unions of Japan, but it was heavily influenced by communists. So the national federation was formed as a countermeasure to the communists and as an attempt at democratizing the labor movement. There was a great deal of sympathy for the organization when it first started; however, over the years, many of the member unions joined Sohyo. It is the smallest of the four national centres, with 66 000 members in 200 unions, which can be categorized into six industrial groupings. The national federation's major objective is to upgrade and improve the lot of workers.

Because of its size, the national federation tends to deal with small to intermediate size companies with fewer than 1 000 employees. It has members throughout Japan, but has only one office located in Tokyo. The individual federations which comprise the national body also have their offices in Tokyo. The national federation had 40 to 50 strikes in 1980 and the average lost time was two days per strike. The major role of the national federation at the time of a strike is to obtain money from other unions to help the strikers. It does not particiapte in collective bargaining.

The national federation does not belong to the Japan Productivity Centre and the impression was given that in some ways improved productivity exploits workers. However, it is changing its approach simply because it is of the opinion that because of the lack of growth in the economy, productivity may be the best means of protecting workers. This approach is under active discussion at the local level.

The national federation is quick to point out that it does not have any official political affiliation, although in practice it tends to support the Japan Socialist Party.

The issues which it pursued in the 1980 negotiations were a reduction in the hours of work, an increase in the retirement age from 55 to 58 and to 60. Of all the companies having retirement systems, 21 percent have not yet established 60 as the compulsory age. In 1980, a number of companies agreed to add two years to the compulsory retirement age.

As far as the future is concerned, the national federation has set its major priorities as a 5-day work week, retirement at age 60, a unified labor force, social security improvements, pension increases, and world peace.

CHAPTER III

INDUSTRIES IN JAPAN

THE STEEL INDUSTRY IN JAPAN

> As a key industry we have a social responsibility. We must, under any circumstance, undertake the stable supply of good quality steel products for the raising of the standard of living through development of industry. To fulfill such responsibility and meet the increasing diversified and exacting needs of all users, the Japanese steel industry will continue striving to achieve more stabilized management as well as modernization of equipment and development of new technology for shaping a better future.[6]

The Japan Iron and Steel Federation was founded as a voluntary association in 1948 and by April 1980 its membership included 48 independent iron and steel companies, accounting for 89.7 percent of Japan's total crude steel production. The federation has many functions. It conducts research related to production, equipment and technology, raw materials, marketing and industrial relations. It serves as the industry spokesman with government and maintains contact with iron and steel companies in other countries.

The steel industry has enormous influence on the economic development of Japan and is considered one of the major reasons for the phenomenal economic growth of the country. In December 1980 it was announced that the Japanese steel industry had surpassed the United States as the major producer of crude steel in the free world.

While the unions are organized on an enterprise basis, there is a Federation of Steel Workers Union which, although it does not become directly involved in collective bargaining, does have an important coordinating role. Similarly, on the management side, the five major steel producers closely coordinate their collective bargaining positions. The five companies are: Nippon Steel Corporation; Nippon Kokan, KK; Sumitomo Metal Industries Limited; Kawasaki Steel Corporation; and Kobe Steel Limited.

The unionization rate in the steel industry is approximately 90 percent. All workers, apart from management personnel, are members of a union.

One of the major collective bargaining issues resolved in 1979 was the extension of the retirement age within the industry. This was a result of the labor movement's demand that the employee retirement age in the five major steel companies be raised. The steel companies responded with the 2-1-1-1 formula, which means that the retirement age will be raised to age 60 in four gradual steps, beginning in the 1981 fiscal year. It will go from age 55 to 57 in the first year, then to 58, 59, and then 60. It is anticipated that this new retirement system will become fully operational in the 1989 fiscal year, when the first employees qualifying for retirement reach age 60.

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[6] The Steel Industry of Japan. Japan Iron and Steel Federation, 1980, page 2.

In the 1979 Spring Labor Offensive the five major steel companies offered an increase of 5.02 percent. The bonus negotiations in June resulted in an agreement on a bonus payment of $3 900, which was an increase of $300 over the previous year.

The average annual wage in the steel industry in 1980 was $16 000 (U.S.) of which $11 790 (U.S.) was regular pay. Both figures are 30 percent higher than the average of all the manufacturing industries.

The steel industry does attempt to maintain a close correlation between the level of wage settlements and the growth of the national economy.

The number of steel industry employees in December 1979 was 307 499, which was a drop of 2.6 percent from the previous year. Between 1977 and 1979 the work force was reduced by over 4 000. Although decreases have continued since 1974, the rate of decline has slowed. The number of newly hired workers also decreased by more than 20 percent, compared to 1978, and the number of employees leaving the industry increased slightly. The reason for the reduction in the number of employees in the steel companies is that they were using attrition and curtailing recruitment because of the excess production capacity.

According to a survey by the Japan Productivity Centre, the largest increase since 1973 in labor productivity in the steel industry, occured in 1979 when it was 16.2 percent higher than the previous year.

The employee relations programs in 1979 emphasized employee asset formation, employee house ownership, and stock sharing schemes. Through the home ownership program, steel companies helped their employees to accumulate needed funds by making full use of such public schemes as the asset formation system and taking advantage of a number of tax exemptions. The companies also offered specific schemes whereby employees could save money for their children's education.

In the 1978 fiscal year, steel companies spent $245 per worker, per month, on welfare expenditures. This was 4.7 percent more than previous years. Welfare costs included $124 for programs fixed by law, such as social insurance, and the remaining $121 went to non-taxable benefits such as subsidies for housing and livelihood assistance. These employee welfare benefits represented 16.9 percent of the average monthly wage rate.

Within the steel industry quality control is a well established technique. The activities of the quality control circles have been expanded within the industry and are identified as the Jishu-Kanri (J.K.) activities. They have been described as follows:

> J.K. activities are based on the voluntary will of each employee and are aimed at self-realization, improving of the working environment and human relation, display of creativity,

and improvement of morale. In view of the severe business environment of recent years, J.K. activities have been tackling more specific subjects, such as achievement of production goals, cost reduction, maintenance of facilities, quality improvement, meeting delivery deadlines and ensuring work safety.[7]

In 1979, there were approximately 30 000 groups in 161 plants and offices operated by 46 steel companies. The number of workers participating in Jishu-Kanri activities was approximately 200 000.

The Japanese Federation of Iron and Steel Workers Unions (TEKKORORENN)

The Japanese Federation of Iron and Steel Workers Union - Tekkororen, is a federation of all the unions in the steel industry. The federation covers 250 000 employees, 200 000 of which are employed by the five major companies.

The companies have formed the Iron and Steel Management Association; but it does not become directly involved in negotiations. Nippon Steel is considered the leader of the five major companies.

While each Nippon Steel Corporation plant has its own union, during collective bargaining the unions bargain as one body, having formed a federation of Nippon Steel Corporation Unions.

Normally each of the five major steel companies bargains separately from the other four. There is, however, close liaison among the companies during negotiations and final settlements that are reached by the each of them are similar. A very close working relationship exists between the steel unions and the steel companies, resulting in an easy flow of information.

The steel unions, in preparing their negotiations, objectives and targets, take into account the cost of living level and the profits of the corporations. The unions have attempted to obtain the same increases from the least profitable companies as well as from the most profitable. In 1980 the unions demanded 8 percent and a settlement was reached at 6.2 percent. The 8 percent included an amount for the cost of living for the previous year and the growth in the gross national product. A major force on the Japanese industrial scene is the International Metal Workers Federation - Japan Council (IMF-JC), which includes unions in the iron and steel, automobile, electrical, shipbuilding, machinery and metal industries. This group has great influence in collective bargaining in Japan. It serves as a prestigious coordinating body for those unions. The IMF-JC membership cuts across all four national centers and it is a unique form of bargaining structure. Within IMF-JC, the ideologies which separate the four national centres are not visible.

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[7]Ibid., p. 25.

As with other industries a major priority for the steel unions has been the changing of the compulsory retirement age to 60. This has now been accomplished with the largest steel companies. Due to the growth of the industry and the expansion of the work force, the steel unions have also supported productivity improvements.

Labor strife has been rare in the Japanese steel industry in recent years. During the late 1950's severe labor - management tension and strikes were experienced, with the longest being a 49 day strike in 1959.

There is little difference between the seniority pay concept in the steel industry and other Japanese industries. In the case of two workers doing exactly the same job, a 50-year employee can expect to be paid 2.5 times the rate paid to a 17-year-old employee. The seniority wage system makes it difficult to calculate the full compensation received by Japanese workers.

The major steel industry corporations have a well established life-time employment system and this practice is credited with developing close identification between the workers and the employer.

THE NIPPON STEEL CORPORATION

The Nippon Steel Corporation was formed in 1970 by the merger of the Yawata Iron and Steel Company Limited and the Fuji Iron and Steel Company Limited, Japan's two largest steel producers.

As Japan's largest steel company, it ranks among the world's largest steel producers. The corporation operates ten steel-making complexes, each emphasizing certain steel specialty products.

In the 1979 fiscal year, Nippon Steel had net sales of $11 404 000 000 (U.S.), and an after-tax income of $424 million. It produced 33 582 000 metric tonnes of crude steel and 30 073 000 metric tonnes of steel products.

Jishu-Kanri activities are considered important by Nippon Steel and great emphasis is placed on them. During 1978, the participation rate of corporation employees in these activities was 74.4 percent and of the goals and targets set by the individual employees, almost 16 000 projects were successfully completed. These projects ranged from cost reduction and work efficiency, to safety and product quality. In the case of operating technology, these activities were credited with fostering higher efficiency in energy saving and this was a major contribution to lowering operating costs.

> Overall it is estimated that the contribution of Jishu-Kanri Activities to Nippon Steel cost savings in 1978 came to approximately $5 per tonne of steel products.[8]

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[8] Nippon Steel Annual Report, April 1, 1978 - March 31, 1979 Page 13.

The philosophy underlying the Jishu-Kanri Activities was described by the corporation as:

> Man has the capacity to create and the drive to attain ambitious goals. He also has a heart that finds as much joy in the act of working toward a goal as toward its attainment.[9]

As a means of making each employee's job worthwhile, and at the same time accomplishing the necessary aims of business, groups of five or six production workers are encouraged to participate in solving problems related to their work. These groups identify on-the-job problems and set out to solve them through their individual and group activities.

In 1979, the Nippon Steel Corporation employed 71 669 employees. This was fewer than the previous year when 74 149 were employed and it was the fourth consecutive year in which a decline in employment had occurred.

Nippon Steel used a number of techniques to accomplish this reduction. The first was normal attrition, in which workers who retired were not replaced. It has been estimated that 2 000 workers retire each year. A second approach involved voluntary retirement, in which workers were given incentive to retire in the form of a much larger retirement allowance than would be given at the normal retirement age. A third technique was a reduction in hours for all workers. This is not a common or popular approach in Japan. In the spring of 1978, due to the economic downturn, Nippon Steel did reduce the hours of work, but maintained a full work force by using the non-production hours for training purposes. The government paid 50 percent of the cost of the training programs. Finally, workers were encouraged to take a rest period for a number of months. The workers received full pay and the government shared equally in the cost.

The average labor productivity for the steel industry in 1979, based on Japan Productivity Centre statistics, reached 15.4 percent, an increase over the previous year.

It is quite evident that the officials of the Nippon Steel Corporation realize the impact which the steel industry wage settlements have on the the industrial sector in Japan, since it is a prime pattern-setter for all industries. In addition, most industries use steel products and this has a spill-over effect into all segments of the economy.

One of the unique characteristics of the Japanese work force is the strong ties of loyalty that exist between the individual worker and the employer. A great many reasons have been given for this, including the involvement of workers in problem solving and decision making in the quality control circles and the Jishu-Kanri activity groups. In addition, Japanese employers place a great deal of importance

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[9]Ibid., p. 12.

on effective employee communication. In the case of Nippon Steel, employees are continuously told of what is happening within the corporation. In addition, the employees are aware that it is Nippon Steel's declared philosophy to provide basic livelihood security to them and they are convinced that corporate prosperity will benefit them also.

The emphasis on effective communication becomes apparent in discussion with rank and file workers who know about the commodity price increases and employment levels in the United States. They know of the factors that affect their personal well-being and that of the company and they know of the factors which prevent Japan from competing in foreign markets.

An analysis of employee wage costs at Nippon Steel shows that if the twice-yearly bonus is included in the cost of all employee fringe benefits, statutory and non-statutory, the total is approximately 100 percent of the wage rate. This covers health and welfare, vacations, time off, housing, transportation, sick leave, the public pension, workers compensation insurance, transportation, sports facilities, hospital service, and the lump sum retirement allowance of approximately 40 months' pay.

THE KIMUTSU WORKS

Nippon Steel's Kimutsu Works is one of ten plants operated by the corporation. It is located on Tokyo Bay and began operations in 1975 to supply the surrounding industrial region. It produces a wide variety of steel products.

The overall computer control system sets the Kimutsu Works apart from other steel operations. The entire sequence of plant operations, from receipt of customer orders to shipment of finished product, is controlled by an on-line computer network. This concept, introduced to Kimutsu Works, ushered in a new era of integrated computer control in the steel industry making it a low labor intensive operation.

The Kimutsu Works is probably the most technologically advanced and modern steel plant in the world. It has an annual capacity of 10 million tonnes of crude steel and in 1980 it was operating at the 7.3 million tonne level. It directly employs 7 500 workers, and another 9 000 are employed by contractors working on construction, transportation, and other services. The Kimutsu Works cover 2 500 acres and the grounds between the large steel-making facilities have been landscaped to give a park-like appearance.

Each person working in the plant or office wears a standard uniform and this includes the senior management group. The reason given for this policy is that it prevents a distinction being made between management and lower level workers.

Collective bargaining is conducted between the senior officials of the Nippon Steel Workers Union and the corporation's head-

quarters staff. The last strike at Nippon Steel took place in 1965 and it lasted 24 hours.

There is a strong emphasis placed on fringe benefits and employees at Kimutsu Works can rent a company three-room house for approximately $25 per month.[10] Almost 33 percent of the workers and 80 percent of management personnel live in company housing. Company housing is located within 30 minutes of the plant and the company provides transportation to and from work. For those workers wishing to purchase a home, the company will provide a low interest loan of up to $30 000 for a down payment. A standard Japanese house in the region cost $90 000 in 1980.

In order to emphasize the importance of long service with the corporation, when workers reach 30 years of service, they receive a free five-day trip. Nippon Steel also provides protection to the families of workers who die while employed by the corporation. The wife and each child can receive a monthly pension, until the children reach the age of 18. The widow will continue to receive the pension until her death. Workers who are ill for long periods receive 80 percent of their wages from government insurance. Nippon Steel supplements the insurance by providing an additional 20 percent. Kimutsu Works employees are eligible to take their vacations at a special resort area and pay only one-third of the normal accommodation cost; the balance is paid by the corporation.

There is a well established system of labor-management consultation at the Kimutsu Works, with consultation and discussion occuring in three committees. The Labor Management Relations Council is composed of the Kimutsu Works general superintendent and senior union officials and it meets to discuss production matters. Labor relations matters are discussed by the Collective Bargaining Committee. These meetings are attended by the General Manager of Labor Relations and union officials. Finally, the Labor Management Committee meets to discuss safety and welfare matters, with the senior company official being the General Manager of Labor Relations and the union represented by senior officials of the local union.

THE AUTOMOBILE INDUSTRY IN JAPAN

THE FEDERATION OF JAPAN AUTOMOBILE WORKERS UNIONS

The Federation of Japan Automobile Workers Union is affiliated with the Confederation of Japan's Automobile Workers Union, which in turn is affiliated with the Japanese Confederation of Labor - Domei. The federation has as its primary client the All-Nissan Motor Workers Union, which in turn has 16 branches.

There are 12 federations of unions within the automobile industry. This fragmentation occurred in the industry following the Second World War. Prior to the split, there was only one trade union

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[10]Currency equivalent used throughout is 200 yen equals $1 (U.S.).

for the automobile industry and it was led by communists. The union became involved in political activities which resulted in its eventual break-up.

The Federation of Japan Automobile Workers Union has 220 000 members employed by 540 companies engaged in automobile manufacturing, sales parts manufacturing, and other related areas. It is funded by membership dues of $11.50 (U.S.) per month, of which it receives $2.42 directly. The union fund receives $150 per year. There is also a mutual aid fund of $.50 per month and a welfare fund of $.50 per month. The mutual aid fund is used for such cases as sickness, damage to houses and welfare matters. The federation is heavily involved in education and has an education facility not far from Tokyo, as well as a resort centre for its members. It has been a strong supporter of increased productivity throughout the automobile industry.

The parent group, the Confederation of Japan Automobile Workers Union, coordinates the collective bargaining arrangements with the International Metal Workers Federation-Japan Council, the highly influential negotiating umbrella group.

Each company negotiates separately with its union and there are three major sets of negotiations each year within the automobile industry. The first is the Spring Labor Offensive-Shunto, at which the annual wage increase is negotiated. The duration of that agreement is normally for one year running from April 1 to March 30 of the following year. Following these negotiations bargaining takes place to settle the bonus payment for winter and summer. This agreement also lasts for one year. The third set of negotiations deals with fringe benefits, working conditions, and similar matters. There is no fixed expiry date for the length of this agreement and it is available for re-negotiation at the request of one of the parties. This three-tiered negotiation tends to be used in other industries as well.

Work stoppages in the automobile industry are rare. The last major automobile industry strike occurred in 1952. There have been periodic incidents of refusal by employees to work overtime, but these have not led to major work stoppages.

The automobile workers and their counterparts in the steel industry are the highest paid employees in Japan. Next in line, are workers in the chemical industry, with the textile and construction workers being among the lowest paid.

Close consultation between company and trade union is an important part of the success of the industry's positive labor relations climate. The presidents of companies and other senior executives normally meet frequently with senior union officials. Important management matters are discussesd at these meetings, ranging from export markets to new product development. Matters such as working conditions, which are considered part of collective bargaining, are excluded from these discussions.

There are also monthly meetings at the plant level, where local management and union officials meet to discuss production planning, or work scheduling and related matters.

THE TOYOTA MOTOR COMPANY

> Labor management relations at Toyota are based on a "firm relationship of mutual reliance" developed over many years of close consultation between management and labor representatives, and our mutual goal is to create a stable, fruitful balance between improving worker lifestyles and continuing corporate development compatibility.[11]

The Toyota Motor Company was established in 1937. It was an outgrowth of the Toyota Automatic Loom Works Limited, which was engaged in the textile industry and was located in the heart of a silk and cotton region. In 1933, the owners of the company established an automobile department and undertook the development of automobiles. In May 1935, the model A-1 passenger test car was produced, and two years later the automobile company was formed. The first automobile manufacturing plant was built in 1938.

The Toyota Motor Company is primarily engaged in the manufacture and sale of automobiles, parts, and components. It also manufactures and markets prefabricated housing units and home related equipment.

In the 1979-80 fiscal year, it reported net sales of $12 914 605 000 (U.S.) with a net income of $470 314 000 (U.S.). That year it produced 2 860 525 vehicles. In August 1980 the company employed a total of 46 948 employees, of which 34 191 were plant workers and 12 557 were office and technical staff.

The average manufacturing wage in October 1980 was $10.70 per hour, which included an overtime allowance, fringe benefits, and bonuses. The average employee worked 8 hours per day, 5 days per week. Each worker is allowed a total of 40 days off each year. For summer vacation the employees receive 10 days and a further 10 days for winter vacation. In addition, each employee is entitled to take up to 20 days per year as paid holidays.

The company has built the Toyota Sports Centre for the use of employees and the public. There are also satellite recreation facilities located at each of the Toyota plants. It has also made resort houses available to employees at various scenic spots in Japan.

The 10 Toyota manufacturing plants are concentrated at Toyoda City and this permits the easy transport of parts from plant to plant and from affiliated companies to the plants, thereby providing efficient production activities. The company has a network of 310 dealers with

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[11] Outline of Toyota. Toyota Motor Company Ltd., 1980, p. 18.

over 3 100 service shops. A computer control system ensures that all spare parts are supplied when they are needed.

The automobile workers employed by Toyota work two shifts and on the average they are better paid than the steel industry workers. This is in contrast to five years ago when the reverse was true. The annual bonus received by Toyota workers amounts to the equivalent of 6.1 months' pay. The average age of Toyota employees in 1980 was 31.9 years, with an average of 10 years of company service. The retirement age is 60 years of age, and the retirement allowance is equivalent to 40 months' pay. This means that a retiring worker receives between $50 000 and $60 000 (U.S.).

The oil shock of 1973 caused a sharp slow-down in the automobile industry and Toyota was no exception. It was forced to reduce its work force and did this by allowing attrition to take place. Some plants were forced to work 6-hour shifts. However, with the assistance of the government, the company devised a work schedule in which the employees worked for six hours on production work, while the additional two hours were used for quality control and skills training. This scheme allowed the company to maintain full employment during a very difficult period and maintain the integrity of the life-time employment program.

One of Toyota's objectives is the elimination of any kind of waste. This is done primarily by maintaining minimum inventory levels. This system, which is known as the Just-In-Time Production System was introduced by the company's founder.

The Just-In-Time Production System ensures that the production lead time is shortened by having "all processes pro-duce the necessary parts at the necessary time and have on hand only the minimum stock necessary to hold the process together."[12] Because there are 6 000 components for every car produced, a synchronized delivery system is necessary.

Quality Control Circles (QCC) are widely used and over 40 000 circles operate within the company's 10 plants. The QCC's are reinforced by a well developed suggestion program; in 1979 employees submitted over half a million suggestions, of which 91 percent were adopted.[13] As part of its program of enhancing the role of individual workers, a practice has been developed which allows workers to stop the assembly lines when they discover a quality defect.

Considerable emphasis has been placed on removing monotony, boredom and unpleasantness from jobs. Automation has been promoted extensively with the wide use of robots and highly automated lines. The

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[12] Y. Sugimori, K. Kusunoki, F. Cho, and S. Ijchikawa. Toyota Production System and Kanban System. Pre-print 3.12 4th International Conference on Production Research, page 3.

[13] Outline of Toyota. Toyota Motor Co. Ltd., 1980, page 22.

trade union has not objected to automation because the increase in production resulted in a larger work force.

The company devotes a great deal of effort and money to the training of its employees. This ranges from sponsoring a technical high school, where 300 students from age 16 are educated in a 3-year technical program, to highly sophisticated personal development programs. The technical school is administered by Toyota which pays the teachers' salaries and gives the students a monthly allowance. At graduation, the students are free to join Toyota or to work somewhere else. The majority of the graduates join Toyota.

Employee fringe benefits follow the same general pattern at Toyota as other large companies. Dormitories are provided for single employees and the average monthly rent in 1980 was $7.50. Apartments and houses are provided for families at a cost of about $40 (U.S.) per month - this was approximately one-third of the market cost in 1980. If an employee wishes to buy a house, approximately $37 000 can be borrowed from the company at a good interest rate. The average price of a home is about $85 000.

There is also a Toyota comprehensive care hospital for employees and their families, with 400 beds, 30 doctors and 130 nurses. The hospital is also available for local residents of the community. In addition, the company established a cooperative association where employees can buy a wide range of goods at special discount prices.

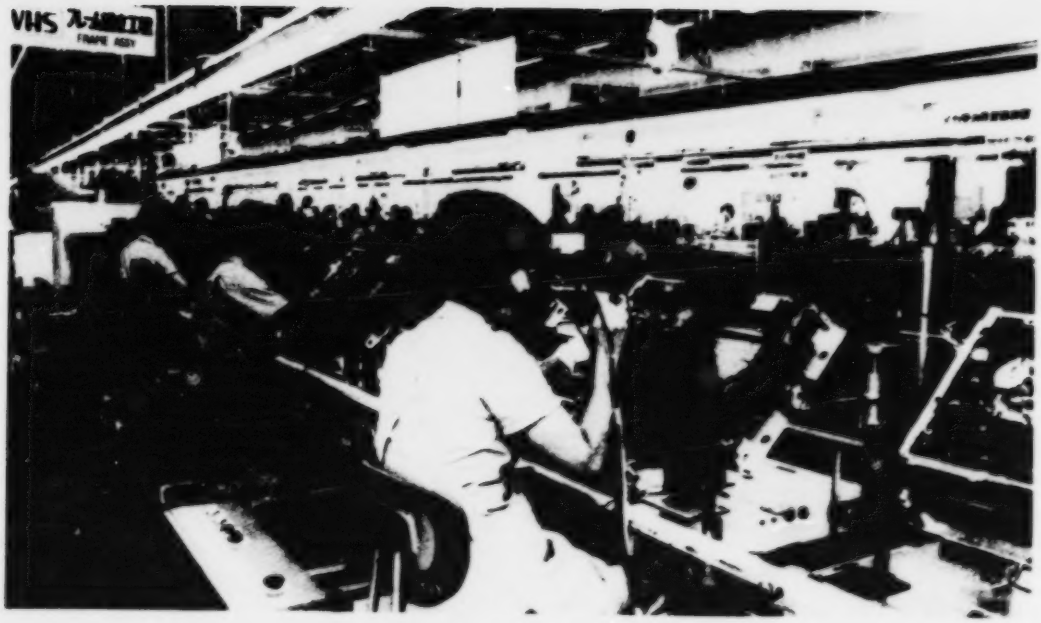
Over the years, Toyota has placed considerable emphasis on joint labor-management consultation. There is an executive council consisting of senior company executives and senior union officials which meets once each month to discuss important matters affecting company operation. There is also a joint-council at each plant which meets regularly to discuss production and personnel related matters.

During the annual Spring Labor Offensive, negotiations for all of Toyota's 10 plants are conducted with the union in one meeting location. The company coordinates its negotiating position with the other automobile companies. The Federation of All Toyota Workers Unions coordinates the negotiating activities of the Toyota workers. In 1980, Toyota employees enjoyed the highest wage rates in the country, those in subsidiary companies were approximately 5 percent lower.

The Toyota employment selection standards are quite high. Applicants must have three years of basic high school. When a person enters the company, there is a probationary period where he or she normally receives advanced training. Once the individual joins the company, a variety of training must still be undertaken. For university graduates, the first year consists of a varied orientation program, ranging from obtaining first-hand knowledge of engines to practical production work. This is followed by a period of months working with car dealers and learning the complexities of sales and servicing. At the end of the orientation program the new employees are assigned to a full-time position in an administrative unit for a further 12 months.

CHAPTER IV

INDUSTRIAL RELATIONS LEGISLATION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INDUSTRIAL RELATIONS LEGISLATION

Industrial relations in Japan are regulated by a comprehensive set of laws. Many of the laws have counterparts in Canada, others have a unique Japanese flavour and have developed as a result of past practice or cultural and historical developments in Japan.

To provide a sense of the scope of the legislation, the individual labor laws are listed below. The relevant extracts from each law have been quoted verbatim from the official English text of the laws, Labor Laws of Japan, issued by the Japan Ministry of Labor.

LABOR RELATIONS

1. Trade Union Law

The law governs labor relations in the private sector and its purpose is:

> ...to elevate the status of workers by promoting that they shall be on equal standing with their employer in their bargaining with the employer; to protect the exercise by workers of autonomous self-organization and association in trade-unions so that they may carry out collective action including the designation of representatives of their own choosing to negotiate the terms and conditions of work; and to encourage the practice and procedures of collective bargaining resulting in collective agreements governing relations between employers and workers.[14]

2. The Labor Relations Adjustment Law (September 27, 1946)

These legistlative provisions are intended to provide the means of settling possible disputes within the private sector.

> The aim of this Law shall be, in conjunction with the Trade Union Law, to provide a fair adjustment of labor relations and to prevent or settle labor disputes and thereby to contribute to the maintenance of industrial peace and to economic development.[15]

3. Public Corporation and National Enterprise Labor Relations Law (of December 20, 1948) This law covers crown corporations.

> This Law aims at securing the uninterrupted operations of the public corporation and national enterprise at maximum efficiency for the promotion and protection of the public welfare, by establishing collective bargaining usages and procedures in order to bring about an amicable and peaceful

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[14] Labor Laws of Japan. Japan Ministry of Labor, Tokyo, 1980.

[15] Ibid., p. 35.

adjustment of grievances or disputes over wages and working conditions between labor and management.[16]

4. Local Public Enterprise Labor Relations Law (of July 31, 1952)

The purpose of this Law is to establish peaceful labor relations between the local public enterprise and the employees engaged in it, in order to secure its normal operation at maximum efficiency and thereby to contribute to the promotion of the welfare of the people.[17]

5. Law Concerning Control of Methods of Acts of Disputes in Electric Enterprise and Coal Mining Industry (of August 7, 1953)

The object of this Law is to provide for necessary measures concerning methods of acts of disputes in the electric enterprise (enterprise which supplies electricity to meet general demand or enterprise which mainly aims at supplying electricity to the enterprises above mentionned. Hereafter the same) and the coal mining industry in order to protect public welfare, in view of the special nature of the said enterprise and industry and their importance to the national economy and daily life of the people.[18]

LABOR STANDARDS

6. Labor Standards Law (of April 7, 1947)

Working condition must be that which should meet the need of the worker who lives life worthy of a human being.

The standard of working condition fixed by this Law is minimum. Therefore, parties of labor relation must not reduce working conditions with excuse of this standard and, instead, should endeavour to raise the working condition.[19]

7. Security of Wage Payment Law (of May 27, 1976)

The purpose of this Law is to contribute to the stabilization of workers' living by taking preservative measures for savings and protective measures for workers for whom it has become difficult to receive wage payment as a result of a serious hindrance to business activities and other measures to secure wage payment, with a view to realizing the due payment of wages, etc., in cases where the management of enterprises has

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[16]Ibid., p. 45.

[17]Ibid., p. 59.

[18]Ibid., p. 65.

[19]Ibid., p. 68.

become unstable because of business fluctuations, changes in industrial structure and other conditions and in cases where workers leave their employment.[20]

8. Minimum Wages Law (of April 15, 1959 with subsequent revisions, the most recent being May 16, 1970)

The purpose of this Law is to improve the working conditions of low-paid workers by guaranteeing minimum amounts of wages to them according to categories of industries or occupations or regions, and at the same time to contribute to stabilizing workers' living, raising the quality of labor force and securing fair competition among undertakings as well as to promote the sound development of national economy.[21]

9. Industrial Homework Law (of May 16, 1970)

The purpose of this Law is to improve the working conditions of industrial homeworkers in industry by prescribing the minimum amount of industrial homework wages, safety and health, and other necessary matters concerning such workers, and thereby to contribute to stabilizing their workload.[22]

INDUSTRIAL SAFETY AND HEALTH

10. Industrial Safety and Health Law (of June 8, 1972 and revised as of July 1, 1977)

The purpose of this Law is to secure, in conjunction with the Labor Standards Law, the safety and health of workers in work places as well as to facilitate the establishment of comfortable working environment, by promoting the comprehensive and systematic counter-measures concerning the prevention of industrial injuries, such as taking measures for the establishment of standards for prevention of danger and injury, the clarification of responsibility and the promotion of voluntary activities with a view to preventing industrial injuries.[23]

11. Working Environment and Measurement Law (of May 1, 1975)

The purpose of this Law is to secure, in conjunction with the Industrial Safety and Health Law, the optimal working environment by providing for the qualifications of a working environment measurement expert, and matters necessary for working environment measurement agencies, etc., concerning the mea-

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[20]Ibid., p. 128.

[21]Ibid., p. 136.

[22]Ibid., p. 147.

[23]Ibid., p. 158.

surement of working environment, and thereby to maintain the health of workers in work places.[24]

12. Pneumoconiosis Law (of March 31, 1960)

This Law, with respect to pneumoconiosis, aims at contributing to the maintenance of workers' health as well as the promotion of their welfare by proper preventive means, supervision of health and any other necessary measures.[25]

13. Industrial Injury Prevention Organization Law (of June 29, 1964, latest revision December 28, 1974)

The purpose of this Law is to take measures for promoting voluntary activities by the organizations of employers with the object of preventing industrial injury and thereby to contribute to the prevention of industrial injury.[26]

EMPLOYMENT SECURITY

14. Employment Measures Law (of July 21, 1966 and revised October 1, 1975)

The purpose of this Law is to contribute toward the balanced development of national economy and the achievement of full employment by establishing both qualitative and quantitative balance between labor supply and demand and enabling workers to make effective use of their abilities, through the adoption of necessary comprehensive measures for employment with which the State is charges in the whole sphere of its policies, thus contributing to the promotion of employment security and elevating the economic and social status of workers.[27]

15. Employment Security Law (of November 30, 1947; latest revision December 28, 1974)

This Law, together with the Employment Measures Law, is designed to contribute to the security of employment and the progress of national economy by providing public employment service which, in cooperation with other public and private bodies concerned, will provide people with opportunities to get a job suited to their ability and meet the labor force needs of industries.[28]

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[24]Ibid., p. 206.

[25]Ibid., p. 225.

[26]Ibid., p. 247.

[27]Ibid., p. 263.

[28]Ibid., p. 278.

16. Emergency Unemployment Countermeasures Law (of May 20, 1949 and revised July 8, 1963)

The purpose of the Emergency Unemployment Countermeasures Law is to assure livelihood security and to contribute to the rehabilitation of national economy, when there is much unemployment or when there is a fear of widespread unemployment, by absorbing as many unemployed persons as possible in both Work Relief and Public Works Projects.[29]

17. Law Concerning Special Measures for the Promotion of Employment of Middle-Aged and Older Persons, etc. (of May 25, 1971, revised May 28, 1976)

The purpose of this Law is to stabilize the employment of middle-aged and older persons, etc., by taking special measures designed to promote their employment suited to their abilities, taking into account the state of employment and unemployment among them.[30]

18. Physically Handicapped Persons' Employment Promotion Law (of July 25, 1960, revised May 28, 1976)

The object of this Law is to ensure the security of employment of physically handicapped persons, by fixing the responsibility of employers with respect to the employment of physically handicapped persons and endeavouring to adjust economic burdens resulting from the employment of physically handicapped persons through the system of contributions for the employment of physically handicapped persons as well as by taking measures for promoting the taking by physically handicapped persons of employment suited to their ability.[31]

19. Law Concerning Temporary Measures for Workers Displaced from Specified Depressed Industries (of December 26, 1977; latest revision December 18, 1979)

The purpose of this Law is to contribute to the stabilization of the employment and living of workers displaced from specified depressed industries, etc., by taking special measures for the prevention of unemployment, promotion of re-employment, etc., in view of the anticipated appearance of a large number of displaced persons at one time in business areas connected with specified depressed industries, under the situation of a sharp decline in employment opportunities.[32]

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[29]Ibid., p. 298.

[30]Ibid., p. 304.

[31]Ibid., p. 314.

[32]Ibid., p. 339.

20. Law Concerning Temporary Measures for Displaced Workers in Specified Depressed Areas (of November 18, 1978; revised June 8, 1979)

The purpose of this Law is to contribute to the stabilization of the employment and living of displaced workers, etc., in specified depressed areas, by taking special measures for the prevention of unemployment, promotion of re-employment, etc., in view of the existence of a large number of displaced workers, and

the anticipated appearance in future also of a large number of displaced workers at one time, in specified depressed areas, under the situation of a sharp decline in employment opportunities.[33]

21. Law Concerning Temporary Measures for Displaced Coal Mine Workers (of December 18, 1959; latest revision May 8, 1978)

The purpose of this Law is to contribute, in view of the present situation in which a large number of displaced coal mine workers have been created in certain areas, to the stabilization of the employment and living of those displaced coal mine workers by taking measures such as the execution of projects as emergency employment measures for those displaced coal mine workers, the conducting of vocational training, and the provision of aid for re-employment.[34]

22. Port Labor Law (of June 3, 1965; revised June 8, 1979)

This Law is designed to secure manpower resources necessary for port transport services and to promote the stability of employment and welfare of dock-workers by regularizing their employment so that it may ultimately contribute toward the development of the national economy.[35]

23. Law Concerning the Improvement of Employment, Etc., of Construction Workers

The purpose of this Law is to contribute to the stabilization of employment of construction workers by taking measures for the improvement of their employment, the development and improvement of their ability, and promotion of their welfare.[36]

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[33]Ibid., p. 354.

[34]Ibid., p. 361.

[35]Ibid., p. 379-380.

[36]Ibid., p. 405.

VOCATIONAL TRAINING

24. Vocational Training Law (of July 18, 1969; latest revision May 8, 1978)

The purpose of this Law is, together with the Employment Measures Law, to encourage and spread vocational training and trade skill test in order to develop and improve the ability of workers needed for their vocation by enforcing measures for reinforcement and smoother execution of such trainings and trade skill test, and thereby to assure the security of employment and the improvement of the workers' status as well as contribute to the economic and social development.[37]

LABOR INSURANCE

25. Workmen's Accident Compensation Insurance Law (of April 7, 1947; latest revision May 27, 1976)

The object of the Workmen's Accident Compensation Insurance shall be to grant necessary insurance benefits to workers in order to give them prompt and equitable protection against injury, disease, invalidity or death resulting from employment or commutation, and to promote rehabilitation of workers who have suffered injury, or contracted a disease, resulting from employment or commutation, to assist the said workers and their survivors and to secure proper working conditions, etc., and thereby to contribute to the promotion of the welfare of workers.[38]

26. Employment Insurance Law (of December 28, 1974; latest revision June 8, 1979)

The purpose of the Employment Insurance is to stabilize the livelihood of workers by granting necessary benefits to them when they are out of employment and to promote their employment, for instance, by facilitating their job-seeking activities and at the same time to prevent unemployment, increase employment opportunities, improve employment structure, develop and improve workers' capacities, and promote workers' welfare, with a view to contributing to the stabilization of employment of workers.[39]

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[37] Ibid., p. 412.

[38] Ibid., p. 444.

[39] Ibid., p. 511.

27. Law Concerning the Collection of Premiums on Labor Insurance (of December 9, 1969; latest revision June 8, 1979)

This Law provides for necessary matters concerning the commencement and expiration of the labor insurance effect, procedures for payment of labor insurance premiums, and the labor insurance affairs associations, etc., for the purpose of the efficient execution of the operations of the Labor Insurance.[40]

28. Law Concerning the Labor Insurance Referee and the Labor Insurance Appeal Committee (of June 4, 1956, latest revision December 28, 1974)

The Labor Insurance Referee (hereinafter referred to as "Referee") shall mean the Workmen's Accident Compensation Insurance Referee and the Employment Insurance Referee.[41]

LABOR WELFARE, ORGANIZATION AND OTHERS

29. Japan Institute of Labor Law (of May 2, 1958; revised July 11, 1958)

The Japan Institute of Labor aims at studying labor problems as well as cultivating extensively the understanding and good sense of workers, employers and the people in general concerning labor problems.[42]

30. Laborer's Credit Cooperative Law (of August 17, 1953; latest revision April 2, 1974)

This Law aims at establishing the system of laborer's credit co-operative organized jointly by trade unions, consumers' livelihood cooperative associations and other organizations of workers; financing smoothly for the welfare and mutual aid activities developed by these organizations; and thus promoting a healthy growth of these activities and also contributing to the improvement of the economic status of workers.[43]

31. Law for the Promotion of Workers Property Accumulation (of June 1, 1977; revised May 16, 1978)

The purpose of this Law is to ensure the stability of workers' living by promoting the property accumulation by workers, and

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[40]Ibid., p. 555.

[41]Ibid., p. 585.

[42]Ibid., p. 599.

[43]Ibid., p. 607.

thereby to contribute to the sound development of the national economy.[44]

32. Smaller Enterprise Retirement Allowance Mutual Aid Law (of May 9, 1959; latest revision June 14, 1975)

This Law aims at establishing a system for the retirement allowance mutual aid paid in by the employer in the smaller enterprise for the good of the employees employed in the enterprise on the basis of a mutual aid spirit entertained by the employer and thereby contributing to the promotion of welfare of these employees and the growth of the enterprise.[45]

33. Labor Welfare Projects Corporation Law (of May 20, 1957; latest revision May 27, 1976)

The purpose of the Labor Welfare Projects Corporation Law is to contribute to the promotion of workers' welfare by operating workers' welfare projects in a proper and efficient manner under the Workmen's Accident Compensation Insurance and by supplying necessary money for preventing industrial injury.[46]

34. Employment Promotion Projects Corporation Law (of June 6, 1961)

The Employment Promotion Projects Corporation Law aims at contributing to the promotion of workers' welfare as well as to the economic development, through perform-ance of activities necessary to expedite placement, such as those to enable the workers to acquire and improve their technical skills, and those to facilitate smooth transfer of workers between districts and between industries, thus help providing employment suitable for the ability of the workers concerned.[47]

35. Working Women Welfare Law (of July 1, 1972)

The purpose of the Law is to clarify the fundamental principles governing the welfare of working women, to promote measures for working women, including the improvement of vocational guidance, the encouragement of vocational training, the promotion of harmony between their working lives and work at home (such as nursing and domestic duties) and the establishment of welfare facilities, and thereby to further the welfare and improve the status of working women.[48]

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[44]Ibid., p. 638.

[45]Ibid., p. 682.

[46]Ibid., p. 714.

[47]Ibid., p. 726-727.

[48]Ibid., p. 739.

36. Working Youth Welfare Law (of May 25, 1970; revised May 8, 1978)

The purpose of this Law is to clarify the fundamental principles governing the welfare of young workers, to systematically promote measures for young workers, including the improvement of vocational guidance, the encouragement of vocational training and the establishment of welfare facilities, and thereby to further the welfare of young workers.[49]

37. Ministry of Labor Establishment Law (of May 31, 1949; latest revision May 22, 1978)

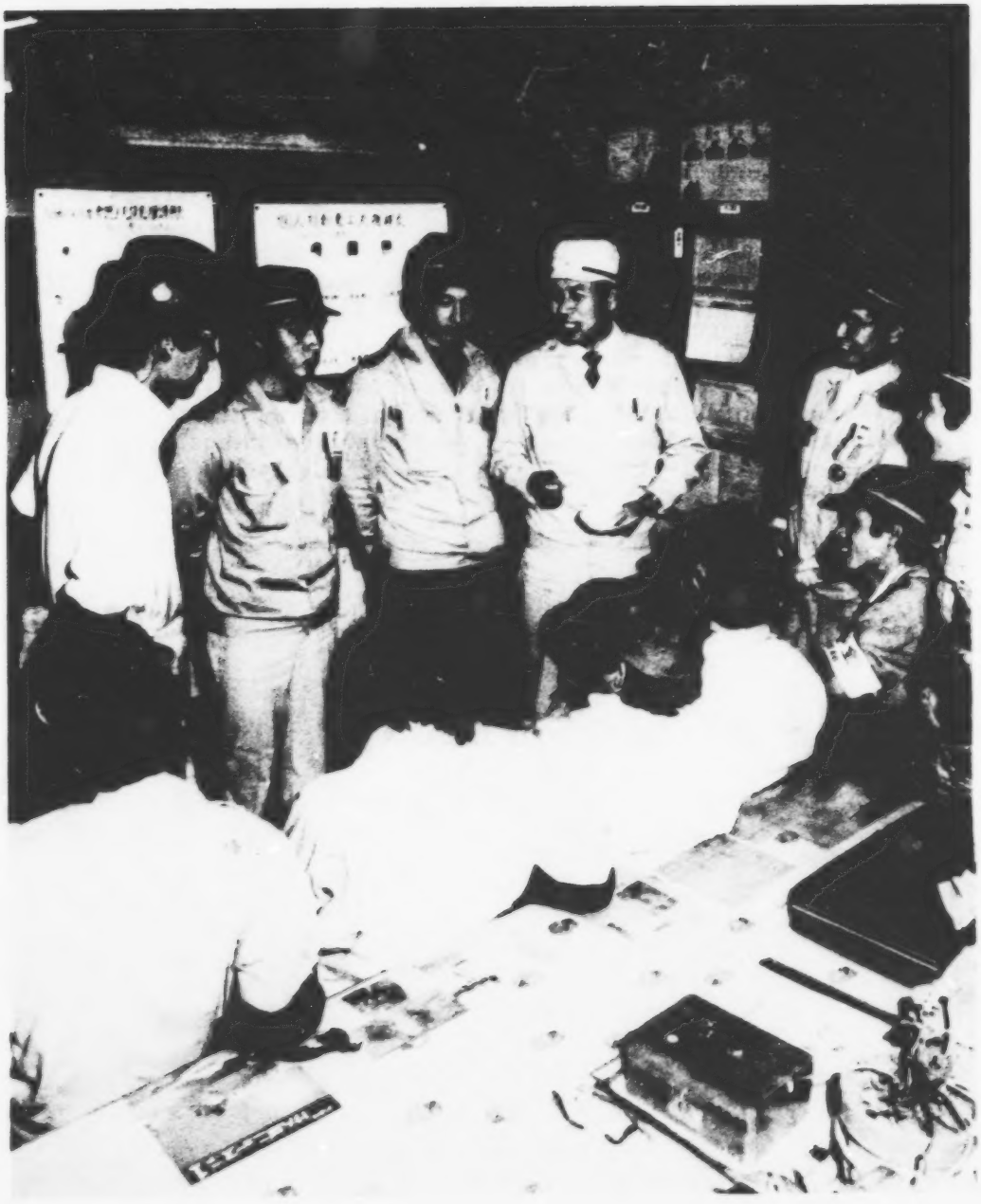
The purpose of this Law is to define clearly the scope of responsibilities and powers of the Ministry of Labor and to provide an organization fit for the efficient conduct of the administrative affairs and businesses under the jurisdiction of the Ministry.[50]

[49]Ibid., p. 744.

[50]Ibid., p. 750.

CHAPTER V

PRODUCTIVITY IN JAPAN



THE JAPAN PRODUCTIVITY CENTRE

The Japanese productivity movement was launched as a national campaign in 1954, with the full support of government and private industry.

The previous year, representatives of the United States government suggested that its Technical Aid Program for higher productivity should be extended to Japan under conditions similar to those provided to European countries. As a result, four leading business organizations in Japan, the Federation of Economic Organizations, the Japanese Federation of Employers Associations, the Japan Chamber of Commerce in Industry and the Japan Committee for Economic Development, agreed to the establishment of a productivity movement on a voluntary nation-wide basis. By March of 1954, a non-governmental commission for higher productivity was established.

Later that year the commission was reorganized and became the Japan Productivity Council with responsibility for establishing a national productivity movement. In the same year, the Japanese government decided that the Council would be developed into a permanent organization, the Japan Productivity Centre, and would be given financial support by government. It also agreed that a Japan Productivity Liaison Conference would be held as a joint venture composed of representatives from both the government and the Japan Productivity Centre.

The Japan Productivity Centre was formally established in March, 1955 and one month later it exchanged information on details of how to implement the program with the newley established U.S. cooperation mission to Japan. That was the beginning of the modern productivity movement in Japan.

The labor-movement was naturally suspicious of the productivity movement because of past experiences and also because it was regarded as strictly an employer's organization and could therefore be a burden on employees. To overcome this suspicion, the Productivity Liaison Conference, which was held in May of 1955, enunciated three significant principles: increased productivity should not lead to unemployement; the productivity movement would involve workers and would strive for the understanding of employers so that a cooperative environment could be developed; and, the benefits of improved productivity would be distributed fairly among management, labor and the consumer.

The statement was successful and as a result, the trade unions agreed to participate in the movement to the extent that today most of the influential private sector unions support the concept of productivity.

The early work of the movement was concentrated primarily on publicizing productivity. Every means of communication was used. There was a massive publicity program in newspapers, magazines, reports by overseas study teams, books, films, and audio-visual displays, to name

just a few. Following the educational campaign, regional productivity centres were established in the major regions of Japan, and by 1960 a complete network of productivity centres flourished.

In the early days of the productivity movement, the programs were heavily dependent on United States experts. However, by 1958, the number of seminars and courses conducted by Japanese experts had increased dramatically to the point where programs for middle management and top management were being conducted by Japanese leaders. In 1965, the Academy for Management Development was founded within the Japan Productivity Centre to provide six-month or year-long courses for top and junior Japanese management.

THE PRODUCTIVITY RECORD

An examination of the Japanese productivity phenomenon reveals some interesting facts. In 1979, productivity in private industry was almost eight times greater than the 1955 level. The average annual growth rate during the 1955 - 1978 period was 8.8 percent, while the gross national product during the same period recorded a growth rate of 8.6 percent.

Productivity growth rates surged between 1965 and 1973 and decreased sharply after the 1973 oil crisis. The rate of growth in the manufacturing sector, during the 1973 - 1979 period, was only 5.3 percent as compared to 13.4 percent between 1965 and 1970. Despite this sharp decline the Japanese productivity level is still one of the highest in the world.

Productivity growth varied from industry to industry for a variety of reasons, many of them unique to particular industries. In the short-run, changes and measured productivity were also affected by cyclical economic influences. From 1973 to 1979, labor productivity in the manufacturing sector showed an average annual growth of 5.3 percent, but this fluctuated widely between different industries. In that same period labor productivity improvement ranged from 8.9 percent in rubber products to .04 percent in petroleum and coal products. Relatively high improvement levels were found in metal and non-metal mining, non-ferrous metals, and machinery industries. In addition to the petroleum and coal industries, low growth rates were recorded in the coal mining, crude oil and natural gas industries. Despite the severe decline in productivity growth and the large wage increases which were given during 1974-75, a balance has since been restored between productivity and wage levels.

There are problems in trying to predict the future of productivity growth in Japan. For example, the benefits which enable Japan to obtain remarkable growth are disappearing and are being replaced by such factors as high energy prices, an aging population and less dedicated attitudes towards work. Nonetheless there are a number of positive signs.

First and perhaps most importantly is capital form-ation. The contribution of private investment in plant equipment to real gross

national product growth was about 20 percent before the oil crisis. Since then, lower rates of capital formation became a negative influence on productivity growth. But forecasters have suggested that a recovery to the 20 percent level would take place during the 1978-79 period.

With regard to the quality of the work force, the capital per worker has shown a very strong growth. For example, the percentage of junior high school graduates among the newly employed, has declined sharply from 42 percent in 1965 to 6 percent in 1979. On the other hand secondary school, university and junior college graduates have increased rapidly in number to account for 38 percent of newly employed graduates in 1979 compared to 12 percent in 1965. This trend is expected to continue into the future but at a more moderate rate.

The average age of the population is expected to increase sharply in the future. It is projected that the ratio of population 65 years old and over will increase from the 1975 level of 8 percent to 19 percent by 2020. Japan's aging peak is about 30 years behind that of other major industrialized countries. The large increase of married women entering the labor force and the age, sex and composition of the work force are expected to slow the productivity growth in the 1980's.

Much has been written about the productivity success of Japanese business and manufacturing. Central to this success are a number of elements which continue to contribute greatly to the phenomenon.

CAPITAL INVESTMENT

Capital and equipment investment has played a significant role in Japan's productivity growth. Japan's plant and equipment investment, in recent years, has tended to represent a larger percentage of gross national product than has been the case in the United States. Automation, machinery and equipment, and machine utilization are three elements of productivity which have been stressed in plant and equipment investment.

At least half of the industrial robots in the world are employed in Japan and the government has recently announced a plan to lease robots to small and medium size companies which cannot afford to buy them. The Japanese automobile industry has placed particular emphasis on the use of robots in welding. Nissan has indicated that 95 percent of all welding on Datsuns is done by robots. Mitsubishi Motors has quoted a figure of 70 percent. Unproductive time by robots has been estimated as less than 1 percent. Toyota has ordered an additional 700 robots to add to the existing 200 for use in welding and painting.

Japanese manufacturers assume that labor costs will grow annually, whereas the cost of robots will decrease. As a result there is a strong incentive to bring more robots onto the plant floor. In order to avoid employee relations problems, robots have typically been

used for tasks which are recognized as dangerous or monotonous, such as spray painting in confined spaces, heavy lifting or spot welding.

A further example of automation is found in the steel industry where in 1978, Japan's continuous-casting ratio was nearly three and one-half times that of the United States. This can be traced to the early reconstruction days following the Second World War when the Japanese steel industry realized it should plan for maximum yield. As a result, it built large blast furnaces. By 1978, of the 22 largest modern blast furnaces in the world, 64 percent were in Japan.

Not only does Japan purchase the most modern and best equipment it can find, it also invests heavily in technology. Since the end of the war, the United States has exported more technology than it has imported. In 1978, it exported nine times more technology to Japan than it imported.

ENERGY CONSERVATION

Japan's economy was badly shaken by the 1973 oil crisis. As a result, energy conservation became a national objective and resulted in the development of one of the most ambitious energy saving programs in the world. Everyone was encouraged to participate and the results can be seen in the taxis fueled by propane gas and in the high energy savings in industries such as the Japanese steel industry.

The Japanese per-capita energy consumption is among the lowest of the western countries. Industry has been particularly diligent. The Japanese steel industry is living up to its well known genius for innovation and has been successful in recovering energy and generating electricity in ways which were considered unlikely a half a decade ago.

QUALITY CONTROL

Following the Second World War, Japanese manufacturers realized that it would be necessary for them to produce quality products if they were to survive in foreign markets. They systematically set out to learn about quality from other countries. Quality control became a priority matter and Japanese manufacturers travelled abroad to learn from the United States and elsewhere. They invited foreign experts to Japan to teach the most up-to-date techniques and they involved Japanese workers in quality matters.

From this has developed a Japanese managerial philosophy about quality control which simply states that manufacturing errors are avoidable. This contrasts with the North American assumption that manufacturing errors are inevitable and the practice where plans are made which take into account an acceptable level of errors. This in turn becomes a license to make mistakes. The Japanese on the other hand, emphasize defect prevention instead of being defect-detection oriented.

The Japanese take quality control so seriously that they are prepared to invest heavily in it. It is quite normal to find, for

example, that quality problems are well documented. The information collected then becomes a reference source for each time a new product is manufactured, a new process is installed or a new product is developed. The Japanese are firmly convinced that the better the quality, the lower the cost.

A significant milestone occurred in 1950 when Dr. W.E. Deming, a United States professor, was invited to Japan by the Japanese Union of Scientists and Engineers for an eight-day seminar on quality control. This gave rise to a whole new era in Japan by making Japanese engineers more familiar with the statistical method of quality control. In the mid-50's, the government undertook a national educational program using short wave radio, among other techniques, to teach quality control and to make the public more aware of its value.

In the early days of the Japanese economic miracle, business was investing heavily in equipment and technology. It soon became evident that there was a real need to develop and upgrade supervisors and employees in the intricacies of quality control. This was the beginning of the quality control movement, from which emerged what are known as quality control circles.

The quality control circles had three objectives. The first was to contribute to the improvement and development of the enterprise. This was to be done by ensuring that every organizational unit within the company understood quality control. This approach stressed the need for people at all levels of the organization to share in the quality control function. The second objective was to foster a climate within companies which respected the individual workers and developed a harmonious workplace. A place where people were not treated as part of the machinery, but as individuals engaged in meaningful jobs in which they could display their abilities and develop their full potential. The final one was to challenge human capabilities and tap the full potential of employees.

The quality control circle approach is really quite simple. A group of employees - 5 to 8 plus a foreman - is encouraged to form a circle for the purpose of solving problems related to their work. The members of the group are usually given some training in basic statistics to assist in the formal approach to problem solving. When a circle is first established, a first-line supervisor usually acts as leader. He selects the themes or problems to be discussed and undertakes to teach the members of the circle the statistical analysis methods. Later the leader role is circulated among the other members of the circle.

When a circle is well established, every person participates in the selection of issues for study, as well as the method of approaching the problem. Involvement of this kind strengthens the cohesiveness and the interpersonal relationship among the circle members and leads to high morale within the group. Each member learns from the others. Moreover, each circle is part of a wider quality control circle covering the whole company. An indirect benefit is that first-line supervisors receive valuable exposure and training and this equips them to make a

greater contribution to the management process or a technical area within the company.

The quality control circle movement has now progressed to such a degree that Japanese management looks on it as a vital management skill, not just an isolated function at the end of the production line.

There are certain factors which are fundamental to the success of circle activities. The quality control circle operates continuously, not only when trouble occurs. It performs its function on its own, independent of others, by ensuring the participation of all members. In this respect an important feature is the use of brainstorming which is considered an important technique in motivating individuals to participate in group problem solving sessions. Group leaders receive formal training in how to conduct effective brainstorming sessions. The group leader is an important element in the success of the circles. It is his function to ensure that all the members work together to discover and define problems and to develop a plan to solve them.

After a problem has been successfully solved, a final report is prepared and circulated among all the workers who were involved. Among the reports submitted in-house, the best suggestions are submitted to quality control circle conventions, at either the regional or national levels. In this way, the members of successful circles receive recognition beyond their own company and the leaders of the circles nominated attend the conventions, at the company's expense, to speak about the success of their circles.

The financial rewards for the circles are quite small. In the Japanese industrial society, with its paternalistic approach, workers operate under a value system in which they place greater emphasis on the success of the company than on their personal goals. In Japan, workers' satisfaction and feeling of achievement appear to override economic motivation.

The quality control movement was the brainchild of the Japan Union of Scientists and Engineers. This is a non-profit organization, which was established in 1949 to contribute to industrial development by creating and applying advanced science and technology. Because of the success of the quality control movement, the Union of Scientists and Engineers has been credited by some with having changed the course of industrial development in Japan.

In 1980, the Japan Union of Scientists and Engineers reported that there were in excess of 100 000 registered quality control circles covering a million workers who participated in formal quality control activities. It has been estimated that there are a further 100 000 circles operating informally.

Over the years, the quality control circle concept has moved beyond just dealing with quality, to a variety of other activities such as cost reduction, energy savings, plant efficiency and improved human relations.

The major characteristics of the Japanese quality control movement are:

1. Quality control is not limited to one functional area of management or to one group of people, such as engineers. It flows throughout the total organization, involving all employees from top management down to the lowest level and deals with all the functions of the company.

2. Statistical methods are widely used by quality control circles.

3. Quality control education is remarkably high. Most companies administer and implement in-company quality control courses for their employees or they ensure that the employees attend quality control courses on the outside.

4. Senior managers actively participate in periodic quality control audits within their companies.

5. The system of new product development is integrated and superimposed on quality control.

6. Quality control objectives tend to be clearly enunciated and identified. Because of this, companies which produce inferior quality products are disappearing from the scene because of their inability to compete effectively with others in the marketplace.

7. There is a core of individuals consisting of educators, specialists and engineers who have been continuously promoting quality control and its application in industry. Most prominent are the Japan Union of Scientists and Engineers and the Quality Control Research Group. These groups link the theoreticians and the practitioners and have as a goal the constant upgrading of the level of quality control in industry.

8. The establishment of the Deming Application Prize for Quality Control and other widely recognized prizes have helped to promote and increase the level of interest and awareness of the importance of quality control among workers and the public at large.

9. Quality control is interpreted in a very broad sense, since it is seen in the context of all improvement activities throughout the total organization. It is not limited to a single function of management.

The cornerstone of the quality control movement in Japan has been quality control circles. They have now evolved to where they are referred to as Jishu-Kanri activities in the steel industry, but the principles are the same.

Since the quality control circles were first instituted in 1962, their activities have expanded and diversified. Originally, the foreman and supervisors acted as leaders, but as members became more knowledgeable and experienced, small groups, called sub-circles or mini-circles, were organized. The division or breakdown of the larger circles into smaller units increased the sense of participation because people felt they had a greater role to play. Many of them acquired the necessary experience to assume leadership by acting as a quality control circle leader. It also led to improved teamwork. As the circles matured and gained strength, the kinds of problems they addressed diversified. When it was recognized that a particular problem was encountered in more than one circle then the resources and knowledge of all affected circles were pooled to solve it. Such things as quality control circles in two or three departments cooperating to solve energy problems has become quite normal. As the circles spread throughout the plants, circle leaders voluntarily organized a system which took the whole organization into account and suggested a means of implementing it.

As the scope of the circles expanded, members learned new and better techniques and gained more confidence in implementing improvements. Subjects were no longer limited to quality, but incorporated efficiency, productivity, cost-reduction, design, facility planning and other areas. When basic techniques had been mastered more sophisticated methods were used such as, time and motion study, process analysis, design and value analysis, and value engineering.

Quality control circles were first introduced into production operations, but the concept has since expanded beyond the production floor to offices, warehouses, banks and insurance companies, to mention just a few. There are circles involving both the parent company and its affiliates or sub-contractors. A number of these circles have successfully improved their operations, as well as communications between the parent company and the associated companies and contractors.

Suggestion systems can be found in many plants, and those made by quality control circles are channeled through the system so that group, as well as individual, suggestions are received. Prizes are awarded for the quality of suggestions. In many companies the number of ideas proposed increased after group suggestions from circles were incorporated into the company system. It is normal for a group suggestion from a circle to be considered as an individual one and then measured against others received.

As noted previously, the initial objectives of quality control circles have evolved over the years. The important objective was to contribute to the improvement and development of the enterprise. This is done by providing target quotas at the workplace level which allows employees to reach their goal more effectively.

It is a basic concept of Japanese management that no matter how much mechanization and automation there is, employees must be treated as human beings. This respect for the individual in the work-

place is manifested in a number of ways. Notably, workers are viewed as being engaged in meaningful work; are allowed to display their capabilities; are encourage to use their intellect, to develop their abilities, to devote themselves to challenge their full potential and to use their native wisdom and creativity in their work. Employees are not isolated from each other, instead they are organized and act as a group in a manner which fosters harmonious relationships. They share their experiences thereby educating each other. It is also important that they are given the opportunity to be recognized by their colleagues, their superiors and subordinates, as well as workers in other plants and outside the company.

In looking at productivity primarily through the eyes of an employee-relations practitioner, it appears that an important factor in the Japanese success, is primarily the manner in which the Japanese work force is organized and motivated. The workers become involved in the activities of their company and they make a valuable contribution. This is an area which we in Canada should look at very closely.

INVENTORY CONTROL

Inventory control is one of the most important elements of successful productivity in Japan. A good example is the Kamban or Just-In-Time Inventory System, which is used by the Toyota Motor Company. The object of this system is to have on hand no more than 30 minutes supply of parts at any one time. This means that the suppliers deliver parts directly to the assembly line and thus eliminate the need for holding inventory within the company. The savings are obvious. This system does not apply to all auto parts. There are certain exceptions, such as casting, which are produced by the company, where the objective is to have no more than 90 minutes supply on hand.

GOVERNMENT INVOLVEMENT

The Japanese government, through its policies and the economic environment it has developed for business and industry, has significantly influenced the Japanese economic phenomenon. It has achieved this in a number of ways.

Since the Second World War, successive Japanese governments have formulated a series of long-term economic plans which have been designed to stimulate economic growth. The Japanese are in the midst of a 7-year plan covering 1978 to 1985. This plan provides a projection of anticipated growth and allows for the development of secondary plans to meet the overall target, including the restructuring of industrial groupings, if necessary.

In 1980, a number of industries were considered to have high growth potential. These were housing, environmental protection, urban redevelopment, labor saving equipment, industrial recycling equipment, communications and data processing, leisure, nuclear power, highly processed foods, medical equipment, fashion and apparel.

On the other hand, the Ministry of International Trade and Industry identified three groups of industries where limited growth was anticipated. They were those with excessive production capacity, those affected by the high cost of raw materials and energy, and industries threatened by the products of developing countries. Among this latter group were textiles, paper board, plywood, shipbuilding, aluminum smelting, chemical fertilizer and poly-vinyl chloride resin.

Government policies are helped by research and development programs, which allow high growth industries to expand. At the same time, government financial assistance is provided to assist in the transfer of labor and capital from troubled industries. This is done by means of retraining programs, compensation for scrapping equipment and partial payment of salaries while industries are entering new fields, to name just a few methods.

Japan has successfully stressed accelerated depreciation in its industrial policy as a way of encouraging more modern plants and equipment. In many instances, Japanese manufacturers can write off more than 50 percent of new plant and equipment costs the first year of investment.

During the 1980-81 fiscal year, the Japanese government subsidized almost 200 projects designed to improve Japanese technology. Nine of these had the status of major national projects, 94 were minor national projects, and 88 were projects developed by individual companies to which the government provided a partial subsidy. In large measure the projects relate to development of new technology in electronics and machinery. The intention is to develop automated facilities that provide such a substantial edge in productivity and product quality that almost no manufacturer with a human work force can compete with it. Another project is designed to develop an optical measurement control system.

The ultimate outcome is that North American manufacturers will be faced with a variety of new and technologically advanced concepts and products which will be competitively priced because the research and development is either wholly or par-tially subsidized by the government. In 1981, for example, the Ministry of International Trade and Industry plans to initiate a major national project designed to give Japanese world leadership in computer technology.

CHAPTER VI

A THREE COUNTRY COMPARISON

The reconstruction of Japan and West Germany in the years immediately following the Second World War was assisted by the United States. As an occupying power, the United States government established a program of democratization in the two countries. One of the techniques it used was the development of a strong trade union movement. However the way this was accomplished differed in the two countries.

The post-war trade union movement in West Germany was also influenced extensively by the United Kingdom. The decision to grant full representation to employees within the coal and steel industry was made in the British Sector. It was an attempt to ensure that the powerful armament makers would be subject to the influence of their employees who could stop any future movement towards militarism and rearmament. This form of employee participation became the model for "Mitbestimmung" or co-determination. Co-determination has been examined in great detail in my 1976 study on the West German system of industrial relations entitled Partnership or Marriage of Convenience.

In Japan, the occupation army under General MacArthur set out to re-build the industrial base and undertook the establishment of a trade union movement incorporating certain of Japan's cultural and historical characteristics.

As the Japanese trade union movement developed, the American Federation of Labor and the Congress of Industrial Organizations trade union model was rejected in favour of a more diverse approach in which each company would have only one union indigenous to it.

As a result, the labor movements in both Germany and Japan, while starting from a common base and philosophy, evolved quite differently.

Periodically, Canadians agonize over their system of collective bargaining which seems unable to sustain periods of high labor-management stress. There is, therefore, a natural tendency for comparison between the Canadian system and other more successful countries. An examination of the industrial relations systems of Japan, West Germany, and Canada reveals a number of differences and a number of similarities.

Collective Bargaining Stability

Most industrialized countries during the 1970's experienced periods of labor-management stress which resulted in strikes and lost productivity. During the four years between 1976 and 1979, the following picture emerges:

The reconstruction of Japan and West Germany in the years immediately following the Second World War was assisted by the United States. As an occupying power, the United States government established a program of democratization in the two countries. One of the techniques it used was the development of a strong trade union movement. However the way this was accomplished differed in the two countries.

The post-war trade union movement in West Germany was also influenced extensively by the United Kingdom. The decision to grant full representation to employees within the coal and steel industry was made in the British Sector. It was an attempt to ensure that the powerful armament makers would be subject to the influence of their employees who could stop any future movement towards militarism and rearmament. This form of employee participation became the model for "Mitbestimmung" or co-determination. Co-determination has been examined in great detail in my 1976 study on the West German system of industrial relations entitled Partnership or Marriage of Convenience.

In Japan, the occupation army under General MacArthur set out to re-build the industrial base and undertook the establishment of a trade union movement incorporating certain of Japan's cultural and historical characteristics.

As the Japanese trade union movement developed, the American Federation of Labor and the Congress of Industrial Organizations trade union model was rejected in favour of a more diverse approach in which each company would have only one union indigenous to it.

As a result, the labor movements in both Germany and Japan, while starting from a common base and philosophy, evolved quite differently.

Periodically, Canadians agonize over their system of collective bargaining which seems unable to sustain periods of high labor-management stress. There is, therefore, a natural tendency for comparison between the Canadian system and other more successful countries. An examination of the industrial relations systems of Japan, West Germany, and Canada reveals a number of differences and a number of similarities.

Collective Bargaining Stability

Most industrialized countries during the 1970's experienced periods of labor-management stress which resulted in strikes and lost productivity. During the four years between 1976 and 1979, the following picture emerges:

Man Days Lost per 1 000 Workers Due to Labor Conflicts in OECD Countries

	1976	1977	1978	1979
Canada	2 553	833	1 928	1 659
U.S.A.	1 188	1 068	1 068	895
United Kingdom	298	843	840	2 428
Italy	2 313	1 562	892	2 559
Japan	151	69	59	44
West Germany	43	2	367	41
France	417	261	199	354

Source: Year Book of Labor Statistics - International Labor Organization 1980.

In three of the four years West Germany had the lowest number of man-days lost. In one of the four years, Japan clearly had the lowest number and in 1979 it was a close second to West Germany. Canada, on the other hand, had the highest number of lost man-days in two of the four years, with Italy its nearest challenger. In the other two years, it placed third or fourth worst among the industrialized countries.

From a productivity viewpoint, Canada's record is abysmal when compared to Japan's and West Germany's. While all three countries employ a collective bargaining system based on the adversarial approach with the right to strike and lock out, an important difference is in the willingness to use the strike as the ultimate economic weapon.

In Canada, the right to strike has been awarded to all unionized employees in the private sector and to a great many in the public sector. Indeed, even in those areas where the right to strike has not been given officially, strikes have taken place nonetheless. Canadian workers appear to be less afraid to strike than those in other countries. While it is dangerous to generalize, in view of the many collective agreements that are negotiated peacefully every year in Canada, there is clear evidence that in recent years during periods of high inflation, strikes have increased. Another phenomenon is that Canadian strikes tend to last longer than in other countries. The three of four-day strike is the exception, with the four-week, or longer, strike being the rule.

A number of reasons have been given for this unique Canadian condition. One is the large number of jurisdictions involved in which 10 provincial bodies and one federal agency have an influence on labor legislation and dispute settlement mechanisms. Since labor-management relations is a provincial responsibility, it is not possible to develop a single national approach to deal with disputes. Another is the nature of the Canadian and regional economies and the manner in which labor-management relations are organized. For example, a strike in the British Columbia logging industry leads to an almost complete shutdown of the forest industry.

In West Germany the strike is not considered the best inducement to force employers to meet union demands. Workers have opted for the right to influence decisions on a day-to-day basis as a more effective means of providing protection for their members. The German workers, in general, tend to favour a strengthening of employee participation by co-determination rather than withdrawing their services by going on strike. Both the federal and state governments have jurisdiction to legislate labor laws, but the West German Basic Law and indeed, actual practice, stipulates that the federal jurisdiction takes precedence.

Since collective bargaining in Germany is normally conducted on an industry-wide basis, and is frequently national in scope, the normal practice in a bargaining stalemate is for the federal government to appoint a politician of cabinet rank or a senior civil servant to act as mediator. In this way, the government becomes involved in the dispute at a high level without requiring legislative action. In addition, national attention can be focused on the dispute. This approach has been highly successful in the past and has been cited as a positive factor in preventing work stoppages.

In Japan, labor-management relations are clearly under the jurisdiction of the national government. Wage collective bargaining in the private sector takes place during the Spring Offensive when collective agreements are concluded for approximately 80 percent of the work force and the remaining 20 percent follow the pattern. Settlements for employees in crown corporations and in the civil service, who do not have the right to strike, are reached later in the fall by collective bargaining or by arbitration. The Japanese have tended to use high-level neutral individuals, usually academics, as mediators.

The strikes which occur in Japan tend to be short-lived, ranging from just a few hours to a whole day. Japanese workers, having experienced lengthy strikes more than 20 years ago, have tended to opt for quick, highly visible ones.

TRADE UNION STRUCTURES

In Canada, the main labor body is the Canadian Labor Congress and its membership is approximately 25 percent of the total work force. In the past other independent bodies have developed, so that a number of Canadian national unions have tended to remain aloof from it. In 1981, because of the dis-agreement between the International Building Trades Unions and the Canadian Labor Congress, all of the construction unions, except those in Quebec, left the Congress. Over the years, it has become the main spokesman for organized labor in Canada. This has meant that the federal government has paid a great deal of attention to the Congress and its policies.

In West Germany, there is no doubt who speaks for organized labor. The German Federation of Trade unions (DGB) has clearly been identified as the voice of labor. The 17 major trade unions in that country are affiliated with the DGB, leaving only a few small unions

outside it. The DGB, which was developed following the Second World War to overcome the religious, regional and political jealousies of the pre-war trade union movement, plays an important role in the economic fabric of Germany.

In Japan, on the other hand, it is difficult to find a sense of unity in the trade union movement. This stems from the fact that there are four official national centres vying for support. The largest number of Japanese workers, however, belong to a fifth and unofficial national centre.

The four official national centres span the political spectrum from left to right. The ideological differences affect the disputes between the labor bodies from time to time. For example, within the Japanese Post Office, one of its two main unions is affiliated with Sohyo on the left, and the other with Domei on the right. Despite the fact that it took the Post Office close to ten years to develop a working accommodation between labor and management, jurisdictional disputes still occur between the two unions.

However, the four national centres have moved towards closer unity by participating in the Spring Labor Offensive where 80 percent of the private sector collective agreements are concluded. In discussion with senior representatives of the four national centres, it is obvious that a more united labor movement is a high priority with them. Despite this, a common labor voice does not exist in Japan and this has been cited by some as the reason for the strongly conservative nature of the national government.

NUMBER OF UNIONS

At the last count there were 192 unions in Canada. This includes international unions with headquarters outside of Canada, national unions with headquarters in Canada and regional unions with members in certain regions or provinces. The main unions, in turn, have a number of local unions, estimated at 9 000.

Certain industries, such as construction, forestry and shipping, have more than one union. In the case of the construction industry there are 14 or more unions with jurisdiction on construction sites. In the shipping industry, there are at least 4 unions. Within the British Columbia forest industry, there are 3 blue collar unions; one covers logging, sawmills and manufacturing plans and two have jurisdiction in the pulp and paper mills.

In West Germany, following the Second World War, it was agreed to have one major union for each industry, with all employees in a particular industry being represented by that union. This means that all skilled trades in the construction industry are represented by one construction union. The same applies for transportation workers. This approach by the architects of the post-war labor movement was an attempt at reducing the vulnerability of the German trade union movement to government manipulation and take-over such as the one that occurred in

1933. It was also an attempt to avoid the inter-union instability of North America.

In 1980 in Japan, there were 71 000 trade unions. During the early years of the Japanese reconstruction phase, there was widespread debate about the future format the trade union movement should take. Some advocated the Congress of Industrial Organizations model of the United States in which each main union has a large number of locals. Finally it was agreed that Japanese trade unions would be enterprise unions, in which each Japanese company would have its own distinctive union. It has been widely accepted within Japanese labor-management circles that this union structure was a compromise to employers who were not enthusiastic about following the North American model and who were prepared to fight its establishment. The enterprise union approach was acceptable to employers and the unions were persuaded that this was the quickest means of establishing a trade union movement in Japan.

While each unionized company has a separate union, usually covering blue-collar and white-collar employees, the enterprise unions do form federations, usually on an industry basis. The federations in turn are affiliated with one of the national centres.

RATE OF UNIONIZATION

There is a great similarity among the three countries in terms of the number of workers who join unions. Slightly more than 30 percent of the workers in each country are union members. In Canada, the unionization level has been maintained because civil servants and government employees at the federal level and in certain provincial jurisdictions have been allowed to unionize. There are, of course, certain industries where the unionization rate is over 50 percent. This tends to occur in the construction and heavy manufacturing industries.

A similar pattern has emerged in West Germany. However, closed shops, where an individual is hired through the union, are uncommon and there are certain industries, such as the steel industry, where the unionization rate is almost 100 percent.

In Japan, the unions have been attempting to increase their membership. But it has been found that younger workers do not exhibit much interest in joining trade unions and it is also alleged that employers have attempted to prevent unions from being formed.

COLLECTIVE BARGAINING

In Canada, there is no single model for the negotiation of collective agreements. In some cases, collective agreements are reached on an industry-wide basis, either nationally, as in the case of the railway unions, or regionally as in the case of the pulp and paper industry in British Columbia, Quebec and Ontario.

In West Germany, collective bargaining is carried out by industries on a regional basis. This means, for example, that the

chemical industry negotiates a collective agreement for a particular region. The first agreement negotiated tends to become the pattern for the industry in other regions.

Despite the enterprise union approach in Japan, the federations of unions co-ordinate negotiations during the Spring Offensive. Normally, the first settlement is made by either the automobile industry or the steel industry. This becomes the pattern for all other industries.

EMPLOYEE PARTICIPATION

During the past decade employee participation in company decision-making has become a topic of great interest to employers and employees in the industrialized countries. In Canada this interest peaked in the mid-seventies. Employee participation was seen by policy-makers as a possible means of offsetting our poor industrial relations record which in 1975 saw Canada assume the leadership for lost man-days due to labor disputes among the more advanced industrialized countries.

Over the past 15 years, Canadians have closely examined the labor-management approaches developed in Sweden and West Germany. Both approaches were seen to have merit and the West German model of co-determination has been adopted by some employers, normally in small non-union companies. Some unionized companies, particularly in the tariff-protected industries and in situations where financial difficulties are being experienced, have turned to employee ownership and representation on the board of directors. However the impact in Canada has not been substantial to date.

Considerable interest has been shown in developing employee participation in unionized companies by means of quality of working life programs. In general however, worker participation in Canada operates at the most basic level through collective bargaining.

The employee participation picture is quite different in West Germany. Since the early 1920's, German workers have been given the right to participate in corporate decision-making by means of co-determination. German employees participate at two levels. Under the terms of the Works Constitution Act, employees at the plant level have the right to scrutinize and question management decisions. This is separate from the right to conduct collective bargaining negotiations. In addition, German workers are entitled to have representatives on company supervisory boards. The particular industry and the size of the enterprise dictate the level of representation.[51]

The West German approach has often been cited as the main reason for the ability of labor and management to resolve their issues without having to resort to crippling strikes and lockouts.

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[51] Connaghan, C.J. Partnership or Marriage of Convenience, Labour Canada, 1976.

While the West German participation system tends to emphasize collective and group structures, the Japanese system focuses on the individual worker through quality control circles and Jishu-Kanri activities. By emphasizing the role of the individual worker, and by allowing creativity on the job, the Japanese system has extended individual employee participation farther than the West German approach where the emphasis is placed on employee participation in corporate decision-making rather than individual job decisions.

FINANCIAL PARTICIPATION

One of the techniques which has been considered by some observers as an essential element in improving labor-management relations is the participation of employees in the financial assets of the company. In Canada this usually takes the form of profit-sharing or a close variant. However the trade union movement has taken exception to this concept.

In West Germany, on the other hand, the government enacted legislation which established a capital accumulation fund. This legislation allows the employer and the employee, either through collective bargaining or on an individual basis, to save up to 624 D.M. per year. The manner in which the savings are spent in turn attracts certain tax concessions.[52] A system of capital accumulation which would allow employees to own shares in a company has been considered for some years, but to date, final agreement has not been reached.

Capital accumulation through profit-sharing or by ownership of shares is relatively unknown in Japan. Instead the Japanese have developed a unique form of capital accumulation by means of a negotiated bonus system. The bonus system, which is negotiated by the unions, makes two payments each year. The amount of the bonus varies from industry to industry, with the average being the equivalent of five months pay. Some industries pay the equivalent of nine months pay. This system is a subtle form of profit-sharing, since it fluctuates depending on the financial state of the companies. The better the financial condition of a company, the higher the bonus, and conversely, under poor conditions bonus payments are low.

THE UNIONS AND THE POLITICAL PROCESS

The labor movement in Canada has tended to view the New Democratic Party (N.D.P.) as the labor party and many trade unions provide financial and other assistance to it. At the national level there is obvious support by the Canadian Labor Congress and at the provincial level trade union support is high in British Columbia and Saskatchewan, but tapers off in central Canada and the Atlantic provinces. There is a belief, however, among pragmatic trade unionists that the labor movement must be prepared to work with governments at

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[52] Ibid., p. 73-76.

both the provincial and federal levels. The elected N.D.P. members at both the provincial and federal levels include a number of active trade unionists.

In West Germany, the trade union movement has made a strong commitment to participate in the political life of the country. It strongly supports the Social Democratic Party, which has been the largest political party for a number of years. However, there are, unions that support the Conservative Party (C.D.U.) which is the main opposition party.

The executive body of the German Federation of Trade Unions (D.G.B.) is composed of a cross-section of political views, with each of the major political parties having a designated number of seats on the Executive Board. This practice grew out of a commitment by labor leaders following the war, that political, religious and regional representation was essential to maintain a unified labor movement capable of withstanding manipulation by government.

In Japan, the main labor bodies tend to support the socialist opposition parties. However, the long-standing disagreement among the four main labor bodies has prevented the emergence of a coherent and unified political approach.

EMPLOYERS ORGANIZATIONS

Employers, at the national level in Canada, do not have a single unified organization which acts and speaks on their behalf on industrial relations matters. A number of powerful groups exist, such as the Canadian Chamber of Commerce and the Canadian Manufacturers Association, but their activities cover a broad range of activities and they have different constituencies.

The situation at the provincial level is different. Apart from collective bargaining bodies which carry on negotiations for various industrial groupings, employers in some provinces have formed strong associations to speak and act on their behalf on industrial relations matters. The Employers' Council of British Columbia and the Conseil du Patronat du Quebec are two examples of strong provincial organizations.

In West Germany, employers are represented by the Confederation of German Employers Associations (D.B.A.). It acts as spokesman for German industry on social policy, which includes collective bargaining, labor and working conditions. While it does not become directly involved in collective bargaining, it does coodinate it throughout the country. However, member associations have final responsibility for collective bargaining on wage policy.

Employers in Japan are represented by four major business organizations, of which the Japan Federation of Economic Organizations, Keidanren, is the most powerful. The main industrial relations arm of business is the Japan Federation of Employers Association, Nikkeiren.

The federation do not conduct collective bargaining negotiations on behalf of its members, but it does coordinate employers' opinions on labor matters and acts as spokesman with the government and the public. It also provides member organizations with a variety of industrial relations services.

TRIPARTITISM

Consultation between government, trade-unions and employers on industrial relations issues in Canada tends to be conducted on a more informal basis than in Japan or West Germany. The attempt to establish a tripartite consultative body failed in the late 1970's because the Canadian Labor Congress withdrew its support from certain bodies as a result of the imposition of wage and price controls. No formalized structure has been established since then.

Within the private sector, Japan has established the Industry and Labor Round Table as a forum for discussion of significant industrial relations issues. High-level cabinet members, including the Prime Minister, participate in the meetings. A similar body was also established for public sector organizations which are the equivalent of Canadian crown corporations.

For many years, in West Germany, the Concerted Action Program has been considered the ideal consultative body. It drew its membership from all segments of the business community, the labor movement, and government. Part of its attraction was the high level of credibility it possessed within the country. However since 1978, it has not operated effectively. Following the introduction of the revisions to the Co-determination Act, which gave workers greater powers than previously, the Confederation of German Employers' Associations (D.B.A.) challenged the legislation in the courts. As a result of this, the trade union movement withdrew its support from the Concerted Action Program. The courts upheld the validity of the disputed legislation and the changes are now in force. There are, however, optimistic signs that a new form of consultation will be established in the near future.

ECONOMIC DATA FOR COLLECTIVE BARGAINING

In West Germany, the Council of Economic Advisors - the "Five Wise Men" - which was established by federal legislation, publishes periodic economic forecasts which are highly valued by both the trade unions and employers. These economic forecasts, which are given wide publicity, have become an important reference point for the collective bargaining partners. Indeed, the economic predictions have been cited as having a moderating effect on the level of expectations of individuals.

Neither Japan nor Canada has a comparable organization. In Japan, economic forecasts are published by employers' organizations, financial institutions, trade associations and various government agencies. In Canada, there are many economic and financial organizations that produce economic forecasts. The Economic Council of Canada,

by statute, is restricted to providing information on the long-range, rather than the short-term.

LABOR LEGISLATION

In Canada, industrial relations are regulated by 11 sets of labor laws, covering the 10 provinces and the federal jurisdiction. Canadian labor legislation deals with specific activities concerning industrial relations, as well as how industrial relations are to be carried out. The legislation is precise in how the collective bargaining parties are to conduct their activities.

Industrial relations legislation in both Japan and West Germany has quite a different focus. The emphasis in those two countries is on the social implications of industrial relations in such areas as labor standards and minimum wage rates, rather than on how the collective bargaining parties must behave in dealing with such matters as pre-strike action, union certification and so forth. The Japanese and German practice is to place the onus on the collective bargaining parties for the specific conduct of industrial relations activities, rather than have those matters regulated by legislation.

ADJUDICATION

In Canada, the administration of labor legislation is vested in the provincial or federal labor relations boards.

In Japan, a Central Labor Relations Commission, composed of public interest, employer and trade union representatives, has been established. In addition to the central body, labor relations commissions have also been established at the prefectural level. There are also labor relations commissions to represent specific industries such as shipping and transportation. The primary purpose of the Central Labor Relations Commission is to correct unfair labor practices, monitor the rulings of lower level labor relations commissions and resolve collective agreement disputes.

In West Germany all disputes arising between employers and employees, whether unionized or not, are adjudicated by the labor courts, which are a recognized part of the judicial system. The labor courts do not become involved in collective bargaining, nor do they issue cease and desist orders.

The labor courts operate at three levels. The courts of first instance are administered by the local labor authority. The other two levels are appeal courts. The first level of appeal is at the provincial court. The final level is the federal court of which there is only one, and it is administered by the federal government.

PUBLIC SECTOR EMPLOYEES

Canadian federal service employees were long ago granted the right to form unions to negotiate collective agreements and to take stike action. In the public sector, a number of trade unions have been established to represent employees. The employees of crown corporations have been given the same rights as public sector employees and in many ways are considered as being closer to the private sector than the public sector.

Public service employees in Japan, at either the national or local levels are prohibited from taking strike action. The employees have been classified into three distinct groups. Crown corporation employees can form unions and are allowed to negotiate, but cannot strike. When a collective agreement cannot be reached, the matters are referred to an arbitrator for adjudication. Civil servants, at both the national and local levels can join unions but cannot negotiate and cannot strike. The wage rates and working conditions for this group are established by the National Personnel Agency. In the case of essential services, such as police, firemen, teachers and prison guards, the right to join unions, negotiate or go on strike has been denied. The National Personnel Agency sets the wages and conditions for these employees.

In West Germany, public employees have the right to join a union. Indeed, the Civil Service Union is one of the largest unions not directly affiliated with the Federation of German Trade Unions (D.G.B.). While the majority of public sector employees have the right to negotiate collective agreements and can strike if necessary, there is a substantial group of occupations prohibited from striking. This prohibition has arisen as a result of the essential nature of their jobs and certain historical factors, such as life-time employment. Among those prohibited from striking are police, firemen, teachers, university professors and those employed directly by federal, provincial and municipal governments. Wage levels and working conditions for these employees are set by government decree.

CHAPTER VII

PROPOSALS FOR ACTION

Japan's economic success is well documented and the record is clear and speaks for itself. During the past two decades the productivity growth of Japanese business and industry has surpassed most Western countries. In addition, despite its reliance on oil from abroad, Japan recovered from the severe effects of the 1973 oil shock which curtailed its production capacity. Since 1974 Japan's productivity increase has again reached levels that are higher than other industrialized countries.

An examination of man-days lost because of labor disputes shows that during the years from 1976 to 1979, Japan's record for lost man-days was far better than Canada, the United States and the United Kingdom. In 1978, Japan had the lowest number of lost man-days, and in two other years it was second only to West Germany.

Despite a very high inflation rate caused by the 1973 oil shock, Japan has been able to manage its economy in such a way that the August 1981, inflation rate had been reduced to 5.4 percent, which was the lowest of the major Western countries.[53]

The economic miracle has also meant that the standard of living of Japanese workers has increased rapidly over the past 20 years. While Japanese workers are still not at the same wage levels as the United States and West German workers, they are catching up and have drawn level with workers in the United Kingdom and France.

One of the important factors that led to Japan's economic success is the contribution of the Japanese employer-employee relationship. A question that invariably arises from a study of this nature is whether the successes of the Japanese industrial relations system can be applied in Canada. There would be a natural temptation to transport all, or a large part, of a system so obviously successful.

The union-management relationships in Japan are unique to that country and are based on a well established cultural and historical framework. The key components of the Japanese system are lifetime employment, wage levels based on job seniority, and one separate union for each enterprise. All, or some, of these factors make the Japanese system quite alien to Canadian union-management relations and collective bargaining. The Japanese approach would be difficult to apply in Canada.

While the Japanese union-management systems would not work in Canada there are certain features of their approach to employer-employee relationships which could be usefully applied to our system. Based on these features, the following nine proposals for action are recommended to the federal government in the hope that by incorporating them our Canadian industrial relations environment may be improved.

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[53] Honolulu Star-Bulletin "Britain Getting Hold on Cash", Saturday, August 22, 1981.

1. THE FEDERAL GOVERNMENT SHOULD ESTABLISH A ROYAL COMMISSION TO EXAMINE THE REASONS FOR CANADA'S POOR LABOR-RELATIONS RECORD AND THE HIGH INCIDENCE OF STRIKES AND LABOR DISRUPTIONS

The motivation of individual workers is emerging as one of the key issues in the ongoing debate on productivity in North America. The Japanese, it has been argued, have developed techniques for motivating and organizing employees which challenges their creativity. In addition, Japanese employers appear better able and willing than their Canadian counterparts to build a high level of company loyalty that provides personal job satisfaction and a strong identity with corporate goals.

Canada's dismal record of lost man-days and resulting curtailed productivity are well documented. What is not well understood by Canadian employers, policy-makers and the public-at-large is the changing attitude towards work, particularly among younger employees; the sense of alienation of Canadian workers and the reasons for it; and what workers expect from their jobs, in terms of both personal goals and economic rewards.

An in-depth inquiry into these and other crucial employee relations issues would yield significant insights and knowledge which could be applied by employers, governments, and others, to improve the industrial relations environment in Canada and to reduce labor-management strife.

2. TO IMPROVE OUR PRODUCTION CAPACITY THE FEDERAL GOVERNMENT SHOULD ESTABLISH A NATIONAL PRODUCTIVITY INSTITUTE TO ADVISE GOVERNMENT, BUSINESS AND LABOUR ON THE BEST MEANS OF ENHANCING THE PRODUCTIVITY LEVELS OF CANADIAN ENTERPRISES

As an exporting nation, Canada faces a great many challenges to ensure that Canadians maintain and improve their existing standard of living.

A key factor in this will be the future production levels of this country's business and industry in response to changing competitive world markets. It is doubtful if individual enterprises or industries on their own, will be able to meet the challenge.

Instead, a major national effort will be required if Canada is to retain its competitive position in world markets. This effort should have as its objectives: high level labor-management cooperations; a highly trained workforce; high levels of cooperative effort between government and industry; the streamlining of government regulations; and the restructuring of low growth industries.

A National Productivity Institute would be a valuable mechanism for achieving these objectives. In addition to its advisory role to government and business, it would make an important contribution by informing all Canadians of the importance of improved productivity to the future well-being of the country. With a mission of this nature

and a broad membership base drawn from business, labor, the provinces and the federal government it could assist greatly in the economic development of the country.

3. TO ASSIST IN THE ECONOMIC DEVELOPMENT OF THE COUNTRY, THE FEDERAL DEPARTMENT OF LABOUR SHOULD UNDERTAKE A COMPREHENSIVE PROGRAM TO INFORM EMPLOYERS, WORKERS, TRADE UNIONS AND THE PUBLIC CONCERNING JAPANESE QUALITY CONTROL PRACTICES

Japanese quality control, which began as a technique for upgrading the quality of products and services, has now evolved to the point where it is considered an important management and employee tool for economic growth.

The quality control concept which combines managerial philosophy, special organizational arrangements and the direct involvement of employees in workplace decision-making, has been credited by some observers as one of the principal reasons for the Japanese economic miracle.

This third proposal is based on the belief that the Japanese quality control approach should be pursued further in Canada, as it would assist the country's economic development. It is envisioned that a program developed by the government would range from providing basic information on the benefits of quality control to subsidies for employers and workers to visit Japan in order to obtain first-hand information.

In establishing these programs, the federal government should indicate that financing will only be available for a period of up to five years. Following this, it would be anticipated that funding would come from other sources.

4. TO SATISFY A NEED FOR CREDIBLE ECONOMIC INFORMATION THE FEDERAL GOVERNMENT SHOULD RESTRUCTURE THE FUNCTIONS OF THE ECONOMIC COUNCIL OF CANADA TO ALLOW THE COUNCIL TO UNDERTAKE A MEANINGFUL SHORT-TERM FORECASTING ROLE.

An important characteristic of more stable industrial relations environments is the availability of credible economic information. At the present time in Canada, there are a number of economic forecasting bodies representing a variety of business and trade organizations.

There is a need for one central body with a high level of credibility and the ability to make meaningful economic information available to collective bargaining parties, trade union members, employers and the public-at-large. Such a body would overcome the confusion and lack of understanding of the economic realities in Canada, including what people can expect from the economy.

The Economic Council of Canada is already established as a highly credible, thoroughly professional and autonomous body and is composed of a good cross-section of Canadians.

5. BECAUSE OF THE IMPACT OF LABOR DISRUPTIONS IN THE FEDERAL PUBLIC SERVICES - THE FEDERAL GOVERNMENT SHOULD: EXAMINE ALL POSITIONS WITHIN THE FEDERAL PUBLIC SERVICE AND IDENTIFY THOSE IT CONSIDERS ESSENTIAL, AND DEVELOP MORE INNOVATIVE METHODS THAN AT PRESENT, FOR SETTLING COLLECTIVE BARGAINING DISPUTES FOR SUCH ESSENTIAL SERVICE POSITIONS

Modern industrialized countries have approached collective bargaining for public sector employees in different ways.

Japan has categorized its public sector employees in groups ranging from those with the right to form unions and conduct collective bargaining but without the right to strike, to essential service employees such as police, prison guards, and firemen, who are permitted neither the right to form unions, to negotiate, or to go on strike. This principle applies equally to public sector employees at the regional and municipal levels. West Germany, while allowing the right to join unions and conduct collective bargaining for most public sector employees, prohibits certain groups from striking. The concept of essential services underlies the approach in these two countries.

Canada has moved farther than most countries in recognizing the right of public sector employees to strike. Since the right to strike has already been granted to federal government workers, removing it would be considered an extreme measure. On the other hand, there is obvious concern about the ability of workers in the federal public service to inflict hardship and grave inconvenience on the public.

This proposal envisions the creation of a commission of inquiry which would review all positions within the federal public service to determine which positions are clearly essential to the government and the country. Once such a determination has been made, the commission of inquiry should be asked to recommend less traditional and more innovative means of settling collective bargaining disputes in essential service positions.

An examination of this nature does not necessarily mean that the right to strike will be removed. Indeed, it should lead to the creation of more innovative and imaginative approaches for the settlement of essential service disputes.

6. TO PROVIDE EMPLOYMENT STABILITY FOR WORKERS AND EMPLOYERS, AND THEREBY ENHANCE THE INDUSTRIAL RELATIONS ENVIRONMENT, THE FEDERAL GOVERNMENT SHOULD PROVIDE FINANCIAL INCENTIVES TO EMPLOYERS TO RETAIN EMPLOYEES IN THEIR COMPANIES RATHER THAN LAY OFF EMPLOYEES FOR SHORT PERIODS OF TIME

One of the most important features of the successful Japanese employee-employer relationship is the commitment by Japanese employers, government, and trade unions to maintain full employment for Japanese

workers. The Japanese practice has evolved over many decades as a result of trial and error, as well as from a response to specific employee relations priorities. Both employers and government have recognized that by providing employment security to workers, close psychological ties can be developed between employers and workers. This, in turn, allows Japanese workers to apply creativity, innovation and productivity to their jobs without having to worry about being laid off.

This recommendation is meant as a means of providing a limited level of employment security, which would result in minimizing the negative effects and disruption to workers and employers, caused by short-term layoffs. If implemented, it would eliminate a long-standing irritant, which surfaces frequently in collective bargaining, and a major source of insecurity for workers, particularly young and short-service workers.

The proposal could be put into effect in a number of ways. The federal government could provide a tax incentive of 150 percent for wages paid to workers retained on the payroll instead of being laid off. Another approach would involve the setting up of an employment stabilization fund, which would provide money to employers forced to lay off workers for limited periods of time. This financial assistance would be used to provide approved skills training for workers during the layoff period. To provide an incentive to workers to remain with the employer and to undertake training during a layoff, employee earnings for that period could be taxed at a lower than normal rate.

It is intended that the funding for the employment stabilization fund would be drawn from the Unemployment Insurance Fund.

Apart from preventing employment disruption, this approach would also provide workers with opportunities to improve their skills. This in turn, would lead to raising the general level of skills in the work force.

Under this proposal, if a layoff is longer than the designated qualifying period, the regular provisions of the Unemployment Insurance Act would apply for normal unemployment assistance.

This proposal would not apply to those industries where short-term layoffs occur on a regular basis. In such cases, the normal provisions of the Unemployment Insurance Act would be applied.

7. THE FEDERAL GOVERNMENT, EITHER ON ITS OWN OR ON A JOINT BASIS WITH THE PROVINCES, SHOULD INITIATE PROGRAMS TO ATTRACT AND RETAIN HANDICAPPED WORKERS IN THE WORK FORCE

The Japanese government, employers and trade unions have developed far-reaching programs to ensure that handicapped workers are encouraged to participate fully in industrial and business life. Wide ranging legislation has been enacted by the Japanese parliament, and administered by successive governments as a means of attaining this objective.

It is widely accepted in Japan that apart from meeting a social challenge, the involvement of handicapped people in the work force has led to the development of an important source of human creativity, innovation, and productivity.

This proposal could be accomplished without much difficulty and without great expense. The government could provide employers of handicapped workers with funding equal to 70 percent of the total wage-cost of a handicapped worker for 12 months. In addition, funding could be provided for capital purposes so that necessary changes to buildings and facilities could be made to accommodate the handicapped workers. Alternatively, the government could provide a tax incentive for wages paid and for capital costs incurred to accommodate the handicapped workers.

8. IN ORDER TO ADD TO THE STABILITY OF LABOR-MANAGEMENT RELATIONS IN CANADA, THE FEDERAL GOVERNMENT SHOULD CREATE A PRIVATE SECTOR LABOR-MANAGEMENT CONSULTATIVE GROUP AND A FEDERAL PUBLIC SECTOR LABOR-MANAGEMENT CONSULTATIVE GROUP

One of the important elements of successful labor-management systems elsewhere in the world is the presence of credible, well-developed, high-level consultative bodies drawn from employers, trade unions and governments.

The recent history in Canada has shown that attempts to form high-level tripartite bodies from labor, management and government, have not been successful. Notwithstanding the failures of the past, a consultative body of the kind envisioned by this proposal could make a valuable contribution to the private sector industrial relations environment in Canada.

The membership of the consultative group should be composed of senior labor officials and senior members of the business community. To provide maximum credibility, the federal government representation should include the Prime Minister and other senior cabinet ministers. The federal Minister of Labor should act as chairman. The primary purpose of the consultative group would be to focus on matters relating to labor-management affairs within the country and on national economic matters.

Since Canada has progressed farther than many other countries in terms of providing collective bargaining rights or the right to strike to federal public sector employees, it is crucial that the labor-management environment in the federal public sector be enhanced. A consultative body, as proposed, has a very high chance of proving beneficial to employers and employees in resolving labor-relations issues without disruption.

The primary purpose of the consultative group would be to deal with labor-relations matters affecting the public service. Normal collective bargaining issues, however, should not be considered by this body. The membership of the body should be considered carefully so that the unique features of the public service labor-relations are not overlooked.

9. TO DEVELOP A MORE UNIFORM INDUSTRIAL RELATIONS ENVIRONMENT, THE FEDERAL GOVERNMENT, IN CO-OPERATION WITH THE PROVINCES SHOULD ESTABLISH A NATIONAL CO-ORDINATING COUNCIL ON INDUSTRIAL RELATIONS

One of the stabilizing industrial relations influences in both West Germany and Japan is the presence of a single central body with responsibility for industrial relations matters within each country.

In Canada, on the other hand, each province, as well as the federal government, has responsibility for industrial relations matters within its prescribed jurisdiction. A Canadian body that involved all 11 senior governments could provide a number of benefits.

First, a uniform approach across the country could relieve pressure on the collective bargaining process on such matters as labor standards, vocational training, industrial safety and hygiene, working conditions, to mention just a few. Second, it could solve many of the problems associated with inter-provincial mobility of workers in certain industries. Third, such a national body could monitor wage level behaviour on a consistent basis throughout the country.

If adopted, this proposal would provide a forum in which industrial relations matters could be considered in more uniform terms than at present.

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TABLE A

Growth of Labor Productivity by Major Industries
1960-1978

(Average annual rate percent)

	Japan	Federal Republic of Germany	U.S.A.
	%	%	%
Total Manufacturing	8.2	5.5	3.4
Electric Machinery	11.0	6.5	4.6
Precision Machinery	10.6	4.2	-
Chemicals	10.4	7.5	5.5
Iron and Steel	9.7	4.2	2.5
General Machinery	9.7	2.8	2.9
Transportation Machinery	9.6	3.9	2.4
Pulp and Paper	7.9	5.3	3.7
Textiles	7.8	6.8	3.9
Foodstuffs	3.1	5.3	3.8
Clothing	1.6	4.2	2.3

Source: Government of Japan
M.I.T.I. White Paper on International Trade 1980
Ministry of International Trade and Industry

TABLE B

1979 Union Membership by Industry

Industry	Number of Union Members (000's)	Estimated Unionization Rate
All Industries	12 309	31.6
Agriculture, Forestry Fisheries and Marine Products	97	21.1
Mining	55	45.5
Construction	689	16.8
Manufacturing	4 116	36.0
Wholesale and Retail	762	9.6
Finance, Insurance and Real Estate	997	60.8
Transport and Communications	2 050	61.0
Electricity, Gas, Water and Heat Supply	234	73.1
Service	1 634	21.5
Government Service	1 485	73.1
Unclassifiable	191	-

Source: Japan Institute of Labor, Japan Labor Bulletin, Vol. 19 - No.4, April 1980, Page 5.

TABLE C

1979 Union Membership by Legal Category

Covered by:	Union Membership (000's)	Percentage of Total Membership
Trade Union Law	8 834	71.8
Public Corporation and National Enterprise Labor Relations Law, Local Public Enterprise Labor Law	1 228	10.0
National Public Service Law, Local Public Service Law	2 248	18.2

TABLE D

1979 Union Membership by Major National Center

	Membership (000's)	Percentage of Organized Work Force	Membership	
			Private Sector (000's)	Public Sector (000's)
General Council of Trade Unions of Japan (SOHYO)	4 553	37.0	1 485	3 068
Japanese Confederation of Labor (DOMEI)	2 147	17.4	1 984	163
Federation of Indepentent Unions (CHURITSUROREN)	1 337	10.9	1 336	1
National Federation of Industrial Organizations (SHINSANBETSU)	63	0.5	-	-
Others - Independent Unions not affiliated with the four National Centres	4 593	37.3	Ø	Ø
International Metal Workers Federation - Japan Council IMF-JC	1 864	15.1	Ø	Ø
ECEF-JAF	679	5.5	Ø	Ø

TABLE E

The 20 Largest Trade Unions - 1979

Rank	Trade-Union	Membership
1	JICHIRO - Local Government Employees	1,240,370
2	NIKKYOSO - Teachers	664,059
3	JIDOSHAROREN[1] - Automobile Workers	579,343
4	DENKIROREN - Electrical Machinery Workers	523,234
5	ZENSEN - Textile Workers	449,193
6	DENTSUKYOTO[2] - Telecommunications Workers	334,015
7	SEIHOROREN - Life Insurance Workers	328,693
8	ZENKINDOMEI - Metal Workers	292,337
9	ZENKENSOREN - Construction Workers	260,462
10	KOKURO - National Railway Workers	252,429
11	TEKKOROREN - Iron & Steel Workers	237,190
12	JIDOSHAROREN[1] - Automobile Workers	209,279
13	SHITETSUROREN - Private Railway Workers	205,674
14	ZENTEI - Postal Workers	191,140
15	ZOSENJUKIROREN - Shipbuilding and Heavy Machinery Workers	184,539
16	SHIGINREN - City Bank Workers	181,156
17	ZENKOKUKINSOKU - Metal Workers	169,924
18	KAIIN - Seamen	151,053
19	DENRYOKUROREN - Electric Power Workers	136,368
20	GOKAROREN - Synthetic Chemical Industry Workers	135,468

[1]Both affiliated with the same federation.

[2]Includes union members employed by private companies as well as public employees of Nippon Telegraph & Telephone Public Corporation.

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The individuals were:

ALL Japan Postal Labor Union (ZEN-YUSEI)	Mr. Kazuo Morita - Member Executive Committee DOMEI
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The Japan External Trade Organization	Mr. Kyoshiro Miyata Director, The Americas Division
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In 1970, he became the first president of the Construction Labor Relations Association of British Columbia, a successful and respected labor relations employers organization which has become the model for similar bodies in the other nine Canadian provinces.

In 1976, he published a work entitled Partnership or Marriage of Convenience, in which he examined the West German industrial relations system and proposed areas in which the Canadian system might benefit from the West German example.

From 1975 to 1980, he served as Vice-President, Administrative Services at the University of British Columbia, with responsibility for the day-to-day operation of the non-academic operations of the university.